**IMPORTANT NOTICE**

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") (WITHIN THE MEANING OF RULE 144A UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) OR (2) NON-US PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE U.S.

**IMPORTANT: You must read the following before continuing.** The following applies to the Offering Memorandum following this page, and you are advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE OFFERING MEMORANDUM AND THE OFFER OF THE NOTES ARE ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(E) OF REGULATION (EU) 2017/1129 (THE PROSPECTUS REGULATION) AND RELATED IMPLEMENTATION MEASURES IN MEMBER STATES ("QUALIFIED INVESTORS"). IN THE EUROPEAN ECONOMIC AREA OTHER THAN THE UNITED KINGDOM, ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE OFFERING MEMORANDUM RELATES IS ONLY AVAILABLE TO, AND WILL BE ENGAGED IN WITH, QUALIFIED INVESTORS.

IN ADDITION, IN THE UNITED KINGDOM, THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT, AND ANY OFFER SUBSEQUENTLY MADE MAY ONLY BE DIRECTED AT PERSONS WHO ARE QUALIFIED INVESTORS (I) WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19 (5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "ORDER") AND/OR (II) WHO ARE HIGH NET WORTH COMPANIES (OR PERSONS TO WHOM IT MAY OTHERWISE BE LAWFULLY COMMUNICATED) FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THE OFFERING MEMORANDUM DOCUMENT MUST NOT BE ACTED ON OR RELIED ON IN THE UNITED KINGDOM BY PERSONS WHO ARE NOT RELEVANT PERSONS. IN THE UNITED KINGDOM, ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE OFFERING MEMORANDUM RELATES IS ONLY AVAILABLE TO, AND WILL BE ENGAGED IN WITH, RELEVANT PERSONS. IN ADDITION, NO PERSON MAY COMMUNICATE OR CAUSE TO BE COMMUNICATED ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY, WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "FSMA"), RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE NOTES OTHER THAN IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO THE ISSUER OF THE SECURITIES DESCRIBED IN THE OFFERING MEMORANDUM.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of your Representation:** In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) non-US persons outside the U.S. (within the meaning of Regulation S under the Securities Act). This Offering Memorandum is being sent at your request and by accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons (within the meaning of Regulation S under the Securities Act), and (2) that you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers referred to in the Offering Memorandum (the "Initial Purchasers") or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the issuer of the securities described in the Offering Memorandum in such jurisdiction.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently neither the Initial Purchasers, nor any person who controls them nor any of their directors, officers, employees nor any of their agents nor any affiliate of any such person accept any liability or responsibility whatsoever in respect of any difference between this Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

**U.S.$225,000,000**

# Raizen Fuels Finance S.A.

*(public limited liability company (société anonyme))*
*(organized and existing under the laws of the Grand Duchy of Luxembourg)*

## 5.300% Notes due 2027

*Unconditionally and irrevocably guaranteed by*

**Raízen Combustíveis S.A. and Raízen Energia S.A.**

(*Incorporated in the Federative Republic of Brazil*)

Raizen Fuels Finance S.A., or the Issuer, a public limited liability company *(société anonyme)*, organized and existing under the laws of the Grand Duchy of Luxembourg, or Luxembourg, is offering U.S.$225,000,000 aggregate principal amount of 5.300% notes due 2027, or the new notes. Interest on the new notes will accrue at a rate of 5.300% per year. The Issuer will pay interest on the new notes in arrears on January 20 and July 20 of each year, commencing on July 20, 2020. The new notes will mature on January 20, 2027. The new notes will be additional notes issued under an indenture, dated as of January 20, 2017, pursuant to which the issuer initially issued U.S.$500.0 million aggregate principal amount of its 5.300% Notes due 2027, or the initial notes. The new notes will have identical terms and conditions as the initial notes, other than the issue date and issue price, and will constitute part of the same series as, and vote together as a single class with, the initial notes. The new notes and the initial notes will share the same CUSIP and ISIN numbers and be fungible (except that any new notes offered and sold in compliance with Regulation S will have temporary CUSIP, ISIN and Common Code numbers during a 40-day distribution compliance period commencing on the date of issuance of the new notes). References to the "notes" refer to the new notes and the initial notes collectively, unless the context otherwise requires.

The notes will be unsecured and will rank equally with the other unsecured unsubordinated indebtedness that the Issuer may incur. All of the Issuer's obligations pursuant to the notes and the indenture under which they are issued will be fully and unconditionally guaranteed, on an unsecured basis, by each of Raízen Combustíveis S.A. and Raízen Energia S.A., or the Guarantors.

The Issuer may, at its option, redeem all of the notes at any time or part of the notes from time to time by paying the greater of (1) 100% of the principal amount of the notes plus accrued interest to the date of redemption and (2) the applicable "make-whole" amount. In case of any partial redemption of notes pursuant to this provision, at least U.S.$100 million in aggregate principal amount of the notes shall remain outstanding (not including any notes held by the Issuer or its affiliates). The notes may also be redeemed, in whole but not in part, at 100% of their principal amount plus accrued interest at any time upon the occurrence of specified events relating to tax law imposed by relevant jurisdictions, as set forth in this offering memorandum. In addition, upon the occurrence of a Change of Control that results in a Ratings Decline (each as defined in "Description of the Notes"), the Issuer will be required to offer to purchase the notes at the price as set forth in this offering memorandum. See "Description of the Notes—Purchase of Notes upon Change of Control Event." The Guarantors' respective guarantees will rank equally in right of payment with the other unsecured unsubordinated indebtedness and guarantees of the Guarantors and effectively subordinated to the liabilities of the Guarantors' subsidiaries and jointly controlled companies. The guarantees will be effectively junior to the secured indebtedness of Guarantors to the extent of such security and to the indebtedness of the Guarantors' non-guarantor subsidiaries and jointly controlled companies. For a detailed description of the notes, see "Description of the Notes."

The initial notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange, or the Euro MTF. Application will be made to list the new notes on the Official List of the Luxembourg Stock Exchange and to admit the new notes to trading on the Euro MTF. There are no assurances that the new notes will be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF. The Euro MTF is not a regulated market within the meaning of the provisions of Directive 2014/65/EU on markets in financial instruments, or MiFID II. See "Listing and General Information." The notes will not be admitted to trading on the Euro MTF prior to or on the settlement date. See "Listing and General Information."

**Investing in the notes involves risks. See "Risk Factors" beginning on page 24.**

**Issue Price: 103.768% plus accrued interest from January 20, 2020**

Purchasers of the new notes will be required to pay accrued interest of U.S.$5,531.88 per U.S.$1,000 principal amount of new notes, from and including January 20, 2020 up to but excluding July 7, 2020, which is the date we expect to deliver the notes, plus accrued interest from and including July 7, 2020, if settlement occurs after that date.

The notes (and the guarantees) have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, or the Securities Act. The notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act, or Rule 144A, and to certain non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act, or Regulation S. You are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For more information about restrictions on transfer of the notes, see "Transfer Restrictions."

The Initial Purchasers expect to deliver the new notes to purchasers in book-entry form through The Depository Trust Company, or DTC, and its participants, including Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, *société anonyme*, or Clearstream, on or about July 7, 2020.

*Joint Book-Running Managers*

**BNP PARIBAS** **Citigroup** **J.P. Morgan** **MUFG** **Scotiabank** **Bradesco BBI** **Santander**

The date of this offering memorandum is July 1, 2020.

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Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to (1) "Raízen Combustíveis" refers to Raízen Combustíveis S.A. and its subsidiaries; (2) "Raízen Energia" refers to Raízen Energia S.A. and its subsidiaries; (3) "Shell" refers to Royal Dutch Shell plc and its subsidiaries; (4) "Cosan" refers to Cosan S.A.; and (5) "Raízen," the "Company," "the Raízen joint venture," "we," "our," "ours," "us" or similar terms refer to Raízen Energia S.A. and Raízen Combustíveis S.A. collectively, together with their respective consolidated subsidiaries.

In this offering memorandum, references to the Initial Purchasers are to BNP Paribas Securities Corp., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, MUFG Securities Americas Inc., Scotia Capital (USA) Inc., Banco Bradesco BBI S.A. and Santander Investment Securities Inc.

In addition, the term "Brazil" refers to the Federative Republic of Brazil and the phrase "Brazilian government" refers to the federal government of Brazil. The term "Central Bank" refers to the Central Bank of Brazil (*Banco Central do Brasil*). All references to "*real*," "*reais*" or "R$" are to the Brazilian *real*, the official currency of Brazil and all references to "U.S. dollar," "U.S. dollars" or "U.S.$" are to U.S. dollars, the official currency of the United States of America. Unless otherwise stated, all numbers included in this offering memorandum are expressed in *reais*. This offering memorandum contains translations of various amounts in *real* into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the *real* amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, we have converted the *real* amounts using the U.S. dollar selling rate reported by the Central Bank as of March 31, 2020 of R$5.1987 per U.S.$1.00. For more information, see "Exchange Rates."

We and the Issuer, having made all reasonable inquiries, confirm that the information contained in this offering memorandum with regard to them and us is true and accurate in all material respects, that the opinions and intentions expressed in this offering memorandum are honestly held, and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We and the Issuer accept responsibility accordingly.

**We, the Issuer and the Initial Purchasers have not authorized anyone to provide any information other than that contained in this offering memorandum prepared by us and the Issuer or on our and the Issuer's behalf. We, the Issuer and the Initial Purchasers take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. You should assume that the information in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum, regardless of time of delivery of this offering memorandum or any sale of the new notes. Our business, financial condition, results of operations and prospects may change after the date on the front cover of this offering memorandum. None of us, the Issuer, or the Initial Purchasers is making an offer to sell the new notes in any jurisdiction where the offer or sale is not permitted.**

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The Issuer is relying on exemptions from registration under the Securities Act for offers and sales of securities that do not involve a public offering. The new notes offered are subject to restrictions on transferability and resale and may not be transferred or resold in the United States, except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration or exemption from them. By purchasing the new notes, you will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading "Transfer Restrictions." You should understand that you may be required to bear the financial risks of your investment in the new notes for an indefinite period of time.

The initial notes are currently listed on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF. We will apply to admit the new notes to listing on the Official List of the Luxembourg Stock Exchange, and to trading on the Euro MTF of the Luxembourg Stock Exchange. There are no assurances that the new notes will be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF. The Luxembourg Stock Exchange takes no responsibility for the contents of this offering memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

We and the Issuer have prepared this offering memorandum for use solely in connection with the proposed offering of the new notes outside of Brazil. This offering memorandum is personal to the offeree to whom it has been delivered and does not constitute an offer to any other person or to the public in general to acquire the new notes. Distribution of this offering memorandum to any person other than the offeree and those persons, if any, retained to advise that offeree with respect thereto, is unauthorized, and any disclosure of any of its contents without the prior written consent of us and the Issuer is prohibited. Each offeree, by accepting delivery of this offering memorandum, agrees to the foregoing and agrees not to make any photocopies of this offering memorandum in whole or in part.

Neither this offering memorandum nor any other information supplied in connection with the new notes should be considered as a recommendation by us, the Issuer or any of the Initial Purchasers that any recipient of this offering memorandum or any other information supplied in connection with the new notes should subscribe for or purchase any new notes. Each investor contemplating subscribing for or purchasing any new notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of us and the Issuer. This offering memorandum does not constitute an offer of, or an invitation by or on behalf of us, the Issuer, any Initial Purchaser or the Trustee (as defined herein) to subscribe or purchase, any of the notes in any jurisdiction where such offer is not permitted. The distribution of this offering memorandum and the offering of the new notes in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum comes are required by us, the Issuer, each of the Initial Purchasers and the Trustee to inform themselves about and to observe any such restrictions. None of us, the Issuer, nor any Initial Purchaser represents that this offering memorandum may be lawfully distributed, or that any new notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by us, the Issuer or any Initial Purchaser that is intended to permit a public offering of any new notes or distribution of this offering memorandum in any jurisdiction where action for that purpose is required. Accordingly, no new notes may be offered or sold, directly or indirectly, and neither this offering memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Notwithstanding anything set forth herein or in any other document related to the new notes, you and each of your employees, representatives or other agents may disclose to any and all persons, without limitation of any kind,

the tax treatment and the tax structure of the transaction described herein and all materials of any kind, including any tax analyses that we have provided to you relating to such tax treatment and tax structure.

We and the Issuer have prepared this offering memorandum solely for use in connection with the proposed offering of the new notes, and it may only be used for that purpose. The Issuer and the Initial Purchasers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the new notes offered by this offering memorandum.

This offering memorandum summarizes certain documents and other information and we and the Issuer refer you to them for a more complete understanding of what we and the Issuer discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of our Company and the terms of this offering and the new notes, including the merits and risks involved.

Neither the Trustee nor the Initial Purchasers accepts any liability in relation to the information contained in this offering memorandum or any other information provided by us or the Issuer in connection with the new notes. In addition, no representation, warranty or undertaking, express or implied, is made by any Initial Purchaser or the Trustee as to the accuracy or completeness of the information contained or incorporated in this offering memorandum or any other information provided by us or the Issuer in connection with the new notes, and nothing contained herein is or shall be relied upon as a promise or representation by any Initial Purchaser or the Trustee, whether as to the past or to the future.

We, the Issuer and the Initial Purchasers are not making any representation to any purchaser of the new notes regarding the legality of an investment in the new notes under any investment law or similar laws or regulations. You should not consider any information in this offering memorandum to be advice whether legal, business, accounting or tax. You should consult your own attorney or other professional for any legal, business, accounting or tax advice regarding an investment in the new notes.

The new notes have not been and will not be issued or placed, distributed, offered or traded in the Brazilian capital markets. The issuance of the new notes has not been nor will be registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the new notes in Brazil is not legal without prior registration under Law No. 6,385/76, as amended (*Lei do Mercado de Capitais*), or the Capital Markets Law, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the new notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the new notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the new notes to the public in Brazil. The new notes will not be offered or sold in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation. Persons wishing to offer or acquire the new notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Neither the U.S. Securities and Exchange Commission, or the SEC, nor any state securities' commission has approved or disapproved of these securities or determined whether this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the new notes or possess or distribute this offering memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the new notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. None of us, the Initial Purchasers, or our or their affiliates will have any responsibility therefor.

In connection with the offering of the new notes, the Initial Purchasers (or persons acting on their behalf) may over-allot notes or effect transactions with a view to supporting the market price of the new notes during the stabilization period at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date of adequate public disclosure of the terms of the offer of the new notes and, if begun, may cease at any time, but it must end no later than 30 calendar days after the date on which the Issuer received the proceeds of the issue, or no later than 60 calendar days after the date of allotment of the new notes, whichever is earlier. Any stabilization action or over allotment must be conducted by the relevant initial purchasers (or persons acting on their behalf) in accordance with all applicable laws and rules and

will be undertaken at the offices of the initial purchasers (or persons acting on their behalf) and on the Euro MTF market of the Luxembourg Stock Exchange.

Any distributor subject to MiFID II subsequently offering, selling or recommending the new notes is responsible for undertaking its own target market assessment in respect of the new notes and determining the appropriate distribution channels for the purposes of the MiFID II product governance rules under Commission Delegated Directive (EU) 2017/593 (the "Delegated Directive"). Neither the Issuer nor any of the initial purchasers make any representations or warranties as to a distributor's compliance with the Delegated Directive.

## NOTICE TO PROSPECTIVE INVESTORS WITHIN THE EUROPEAN ECONOMIC AREA AND THE UNITED KINGDOM

The new notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Regulation (EU) 2017/1129 (the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the new notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the new notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

## NOTICE TO PROSPECTIVE INVESTORS WITHIN BRAZIL

THE NEW NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE CVM. THE NOTES MAY NOT BE OFFERED OR SOLD IN BRAZIL, EXCEPT IN CIRCUMSTANCES THAT DO NOT CONSTITUTE A PUBLIC OFFERING OR UNAUTHORIZED DISTRIBUTION UNDER BRAZILIAN LAWS AND REGULATIONS. THE NEW NOTES ARE NOT BEING OFFERED INTO BRAZIL. DOCUMENTS RELATING TO THE OFFERING OF THE NEW NOTES, AS WELL AS INFORMATION CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC IN BRAZIL, NOR BE USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF THE NEW NOTES TO THE GENERAL PUBLIC IN BRAZIL.

## PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

All references in this offering memorandum to "*real*," "*reais*" or the symbol "R$" are to the legal currency of Brazil, the Brazilian *real*. All references to "dollar," "U.S. dollars" or the symbol "U.S.$" are to the legal currency of the United States, the U.S. dollar.

Solely for your convenience, we have translated certain amounts included in "Summary," "Summary Combined Consolidated Financial and Other Information," "Capitalization," "Selected Combined Consolidated Financial and Other Information" and elsewhere in this offering memorandum from *reais* into U.S. dollars using the U.S. dollar selling rate reported by the Central Bank as of March 31, 2020, R$5.1987 per U.S.$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate as of that or any other date.

### Financial Statements

We have included in this offering memorandum the following sets of financial statements (all of which are prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or the IASB):

- our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2020 (with the corresponding figures for the fiscal year ended March 31, 2019), or the March 2020 combined financial statements;

- our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2019 (with the corresponding figures for the fiscal year ended March 31, 2018), or the March 2019 combined financial statements.

See also "Independent Auditors" and "Index to Financial Statements."

### Rounding

We have made rounding adjustments to reach some of the figures included in this offering memorandum. As a result, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

### Market Data

We obtained market and competitive position data, including market forecasts, used throughout this offering memorandum from market research, publicly available information and industry publications, as well as internal surveys. We include data from reports prepared by LMC International Ltd., the Central Bank, the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, the São Paulo Stock Exchange (B3 S.A. – Brasil, Bolsa, Balcão (formerly *BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros*)), or B3, the International Sugar Organization, the Brazilian National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES, Bloomberg, the New York Board of Trade, or NYBOT, the Fundação Getúlio Vargas, or FGV, the Agriculture School of the University of São Paulo (*Escola Superior de Agricultura Luiz de Queiroz)*, or ESALQ, the New York Stock Exchange, or the NYSE, the London Stock Exchange, the National Agency of Petroleum, Natural Gas and Biofuels (*Agência Nacional do Petróleo, Gás Natural e Biocombustíveis*), or ANP, the Sugarcane Agroindustry Association of the state of São Paulo (*União da Agroindústria Canavieira de São Paulo*), or UNICA, the Counsel of Sugarcane, Sugar and Ethanol Producers of the state of São Paulo (*Conselho dos Produtores de Cana-de-Açúcar, Açúcar e Álcool do Estado de São Paulo)*, or Consecana, the National Association of Distributors of Fuels, Lubricants, Logistics and Convenience Stores (*Sindicato Nacional das Empresas Distribuidoras de Combustíveis e de Lubrificantes*), or Sindicom, the National Electric Energy Agency (*Agência Nacional de Energia Elétrica*), or ANEEL, the Brazilian Ministry of Agriculture, Fisheries and Supplies (*Ministério da Agricultura, Pecuária e Abastecimento*), or MAPA, and the Argentina Ministry of Productive Development (*Ministerio de Desarrollo Productivo*), or MDP. We believe all market data in this offering memorandum is reliable, accurate and complete.

**Special Note Regarding Non-GAAP Financial Measures**

This offering memorandum discloses the following non-GAAP financial measures: (1) Net Debt, as defined by us, as current and non-current loans and financing, net of cash and cash equivalents, securities, investments linked to financing, derivative assets or liabilities related to foreign exchange rate risk and interest rate risk and other financial assets (e.g., Brazilian National Treasury Certificates (*Certificado do Tesouro Nacional*, or CTN), related to *Projetos Externos Securitização Agrícola*, or PESA), (2) EBITDA, prepared by us in accordance with CVM Instruction No. 527, of October 4, 2012, or CVM Instruction No. 527, is defined by us as our combined consolidated net income plus combined consolidated financial results, combined consolidated income and social contributions taxes and combined consolidated depreciation and amortization included in any of the foregoing expenses, (3) Adjusted EBITDA, as defined by us, as EBITDA excluding biological assets variations, debt hedge accounting, sugar foreign exchange impacts, asset sales, IFRS 16 effects and certain non-recurring effects, including the sale of interest in subsidiaries, and (4) Net Debt to EBITDA Ratio or Net Debt/EBITDA, as the case may be, as defined by us as the ratio of: (a) the aggregate amount of Net Debt as of the end of the period to (b) EBITDA for the relevant period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Presentation and Accounting Policies—Critical Accounting Policies and Estimates." We use the definition of EBITDA to be consistent with the definition required for the calculation of financial ratios applicable under the notes. The non-GAAP financial measures described in this offering memorandum are not a substitute for the GAAP measures of earnings, for which our management has responsibility.

Our management believes that disclosure of Net Debt is useful to potential investors as it helps to give them a clearer understanding of our financial liquidity. Our management also believe that EBITDA, Adjusted EBITDA and Net Debt to EBITDA Ratio or Net Debt/EBITDA, as the case may be, provide useful information to potential investors, financial analysts and the public in their review of our operating performance and their comparison of our operating performance to the operating performance of other companies in the same industry and other industries. However, Net Debt, EBITDA, Adjusted EBITDA, Net Debt to EBITDA Ratio or Net Debt/EBITDA, as the case may be, are not measures under IFRS or Brazilian GAAP and should not be considered as a substitute for net income or loss, cash flow from operations or other measures of operating performance or liquidity, or net debt or other measures of indebtedness, in each case, determined in accordance with IFRS or Brazilian GAAP. EBITDA and Adjusted EBITDA are not intended to represent funds available for dividends or other discretionary uses by us because those funds are required for debt service, capital expenditures, working capital and other commitments and contingencies.

## FORWARD-LOOKING STATEMENTS

This offering memorandum contains estimates and forward-looking statements, principally under "Risk Factors," "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Some of the matters discussed herein concerning our business and financial performance include estimates and forward-looking statements and, therefore, neither indicate nor are a guarantee future results.

Our estimates and forward-looking statements are mainly based on our current expectations and estimates on projections of future events and operating and financial trends, which affect or may affect our industry, market share, reputation, businesses, financial condition, results of operations, margins, and/or cash flow. Although we believe these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties, are made in light of information currently available to us and should not be considered a guarantee of the results of operations we may achieve.

Many significant factors in addition to those stated in this offering memorandum may adversely affect our current estimates and forward-looking statements, and whether these estimates or statements may be realized. Our estimates and forward-looking statements may be influenced by the following factors, among others:

- our ability to successfully implement structural changes aimed at generating and maximizing profits;
- economic, political, social and business conditions in Brazil and Argentina, particularly in the regions of each country in which we are active, notably with respect to inflation, exchange rate fluctuations, interest rates fluctuation and the political environment;
- our ability to successfully compete in all segments and geographical markets where we currently conduct business or may conduct businesses in the future;
- our ability to fulfill our financial obligations or obtain refinancing;
- our ability to sustain and improve our performance;
- the impact of legislation and new regulations on our business;
- government intervention resulting in changes in the economy, taxes and tariffs affecting the markets in which we operate;
- recruitment, remuneration and retention of our "key employees";
- events and risk perception in relation to corruption allegations involving various Brazilian companies and politicians, and the impacts of such investigation on the Brazilian economy and political outlook as a whole;
- the impact of the economic recession affecting Brazil and Argentina;
- our ability to obtain labor and supply services at reasonable prices without interruption;
- our capitalization and indebtedness level;
- unavailability of adequate financing to face our needs or inability to make the volume of investment as set out in our business plan within the expected time frame;
- our ability to identify, develop, plan and implement new projects;

- delays, excess or cost increases not foreseen in the implementation of our projects and other issues related to construction and development;

- factors or trends that may affect our business, market share, financial condition, liquidity and results of our operations;

- our capitalization and indebtedness level and our ability to arrange financing and to implement our capital expansion plan;

- the duration and severity of the COVID-19 pandemic and its impacts on global and Brazilian markets and our business (see "Risk Factors—Risks Related to Our Business and Industries in which We Operate—Our business, operations and results may be adversely impacted by Covid-19" and "Summary—Recent Developments—COVID-19 Pandemic"); and

- other risk factors discussed under "Risk Factors."

The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect" and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date they were made, and we undertake no obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. In light of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this offering memorandum might not occur, and our future results and our performance may differ materially from those expressed in these forward-looking statements due to, but not limited to, the factors mentioned above. Because of these uncertainties, you should not make any investment decision based on these estimates and forward-looking statements.

## SUMMARY

*This summary highlights selected information about us and the notes that are offered hereby. It may not contain all of the information that may be important to you. Before investing in the notes, you should read this entire offering memorandum carefully for a more complete understanding of our business and this offering, including our combined consolidated financial statements and the notes to those financial statements, and the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."*

### Overview

We are an integrated energy company, established in June 2011 as a 50%-50% joint venture between Cosan and Shell. We are among the market leaders in Brazil in the sectors in which we operate: fuel distribution, and ethanol, sugar and bioenergy production. We conduct our business in a sustainable and vertically integrated manner, and participate in all stages of the value chain from planting, harvesting and processing to storage, logistics and sales of our wide range of products. We are the fourth largest company in Brazil in terms of net revenues according to the Valor 1000 Ranking prepared by the "Valor Econômico" newspaper. Some of our key competitive strengths in our business segments include (1) large-scale production and distribution, (2) operational excellence driven by innovation and technology optimization, (3) a highly developed logistics infrastructure and integration, (4) a balanced risk profile, (5) strong brand recognition, and (6) a strong credit profile.

Our strategic goals are to be a fully integrated energy company and market leading player capable of generating sound and resilient results through our scaled business, as well as to be the efficiency benchmark in each of the sectors in which we operate.

#### *Raízen Combustíveis*

We distribute fuels in the Brazilian and Argentine markets through Raízen Combustíveis.

Raízen Combustíveis is the second largest fuel distributor in Brazil and is engaged in sourcing, storing, blending and distributing gasoline, ethanol, diesel and aviation fuel through a network of 6,578 Shell-branded retail service stations (1,067 of which feature integrated convenience stores) throughout Brazil, with consistent growth year over year. We believe our fuel distribution operations have the highest average throughput in the industry (a key metric of efficiency based on public data) in Brazil and leverage our logistics and infrastructure footprint, selected site locations, good relationships with dealers and operational excellence.

Our Argentina downstream operations are a fully integrated business, encompassing refining, marketing and distribution of a range of petroleum products to wholesale and retail customers. Raízen's Buenos Aires refinery is the second largest crude oil refinery in Argentina in terms of capacity with total nameplate capacity of 108 kbbls/day, accounting for 16% of total Argentinian refining capacity. We also have one of the largest network of retail stations in Argentina with a 21% combined gasoline and diesel market share and the highest premium penetration (34%).

Raízen Combustíveis benefits from its strategically located assets, the majority of which are concentrated near major consumer markets, allowing capture of efficiencies associated to the higher consumption patterns and lower costs due to the available fuel distribution infrastructure.

Our strategic goals are to be the preferred choice for dealers and clients and the most efficient fuel distributor (in terms of gallons per station) in the markets in which we operate. We are focused on continued retail growth, mainly through selective white pumps branding. In addition, we are also focused on the strategic positioning of our infrastructure, a key element to achieve optimal logistic and supply costs.

We are also continuously developing our non-fuels business with the aim of improving customer experience in convenience stores, in particular with the recently announced Joint Venture with Femsa Comércio, S.A. de C.V. and its subsidiaries (together, "FEMCO"), "Nós". The development of innovative payment methods and the Shell Box web-based platform is also a key element to improve customer experience, combined with an offering of premium products through our VPower portfolio.

***Raízen Energia***

We are the largest Brazilian sugarcane processing company and the largest producer-exporter of sugar. The integration, flexibility and organization of our assets in large clusters enable us to reduce our costs of production, supply and logistics and achieve economies of scale unattainable by smaller market participants.

Our core business is the production and sale of a variety of products derived from sugarcane, including anhydrous and hydrous ethanol and varieties of sugar, as well as bioenergy generated from sugarcane bagasse and ethanol trading. Raízen Energia operates 26 mills mainly located across five clusters in the Central-South region of Brazil, with a current crushing capacity of approximately 73 million tons of sugarcane per year in aggregate. Raízen Energia's production units are self-sufficient in energy consumption and 13 of them have long-term contracts for the sale of surplus power to the Brazilian national electricity grid.

Our strategic goals are to be the lowest-cost producer in the markets in which we operate, to capture incremental value in the sales value chain, expand our trading operations and to further develop our renewable energy business by leveraging on the transition towards renewable energy.

In order to achieve our goal, we are focused on delivering efficiencies through additional investments in our fields, precision agriculture and portfolio optimization, in order to achieve an optimal balance of own and third-party sugarcane and an optimal combination of mills, clustered in logistic hubs.

Our key strategic objectives also include developing alternative uses for sugarcane biomass (straw, bagasse and other byproducts) leveraging proprietary technologies (second-generation ethanol (also known as "E2G"), sugarcane pellets and vinasse biogas) to further develop opportunities in our renewable energy business, locally and globally.

**Our Operations**

***Fuel Distribution (Raízen Combustíveis)***

Through Raízen Combustíveis, we are engaged in sourcing, storing, blending and distributing gasoline, ethanol, diesel, fuel oil and aviation fuel through our network of Shell-branded retail service stations in Brazil and Argentina, as well as 70 distribution terminals and 69 airport terminals supplying aviation fuel.

The following are the five main lines of activity in which Raízen Combustíveis is engaged:

- *Retail*: Raízen Combustíveis operates in the retail segment of the fuels distribution market through a network of Shell-branded retail service gas stations, which on March 31, 2020 totaled 7,306 stations throughout Brazil and Argentina. Raízen Combustíveis is a "Shell" brand licensed company, which we believe is recognized as a symbol of quality and technology, including its digital Shell box platform.

- *Business to Business ("B2B")*: Raízen Combustíveis operates in the B2B segment with more than 3,000 customers such as cargo and passengers transport companies and companies in the agricultural and mining industries, among others. Our B2B strategy is focused on customer loyalty through premium technology products (Shell V-Power and Shell Evolux portfolios) and carrier fleet control tools.

- *Aviation*: Raízen Combustíveis operates in the aviation sector through its 69 supply bases in Brazilian and Argentine airports, providing services to commercial and business aviation companies. Raízen Combustíveis invests in the improvement of customer services and marketing strategies to differentiate its product offering in the business aviation market.

- *Convenience Stores*: Through our joint venture with FEMCO, announced in 2019, we are engaged in the convenience store business in Brazil.

- *Raízen Argentina*: In 2018, Raízen acquired the downstream assets of Shell in Argentina (including 100% of the share capital of Shell Compañía Argentina de Petróleo S.A and Energina Compañía Argentina de

Petróleo S.A.), or Raízen Argentina, including a petroleum refinery and a network of 728 petrol stations (as of June 2020) in Argentina (46 of which are owned by Raízen Argentina subsidiaries).

Raízen Combustíveis recorded net operating revenue of fuel of R$100,941.2 million, net income of R$2,100.8 million, and Adjusted EBITDA of R$3,390.9 million in the fiscal year ended March 31, 2020, net operating revenue of R$88,950.6 million, net income of R$1,708.0 million and Adjusted EBITDA of R$3,070.1 million in the fiscal year ended March 31, 2019 and net operating revenue of R$74,586.0 million, net income of R$1,668.2 million and Adjusted EBITDA of R$2,989.3 million in the fiscal year ended March 31, 2018, respectively.

| **Raízen Combustíveis Highlights** | **As of and for the Fiscal Year Ended March 31,** | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Service stations in Brazil | 6,578 | 6,473 | 6,329 |
| Service stations in Argentina | 728 | 678 | — |
| Fuels sold (billion liters) | 33,191 | 29,219 | 25,708 |
| Retail (billion liters) | 22,633 | 20,041 | 18,354 |
| B2B (billion liters) | 7,834 | 6,538 | 5,206 |
| Aviation (billion liters) | 2,724 | 2,639 | 2,148 |
| Ethanol sales (R$ million) | 9,099.5 | 7,875.8 | 5,602.0 |
| Gasoline sales (R$ million) | 36,359.1 | 32,994.3 | 31,797.9 |
| Diesel sales (R$ million) | 45,458.5 | 39,664.6 | 32,756.5 |
| Jet fuel sales (R$ million) | 6,662.2 | 6,406.9 | 3,955.0 |
| Other products (R$ million) | 3,361.8 | 2,009.0 | 474.6 |
| Net operating revenue (R$ million) | 100,941.2 | 88,950.6 | 74,586.0 |
| Net income (R$ million) | 2,100.8 | 1,708.0 | 1,668.2 |
| Adjusted EBITDA (R$ million)(1) | 3,390.9 | 3,070.1 | 2,989.3 |

(1) Adjusted EBITDA is a non-GAAP measure. See “Business—Our Operations” for a reconciliation of Raízen Combustíveis’s consolidated net income to Adjusted EBITDA.

***Ethanol, Sugar and Bioenergy (Raízen Energia)***

Raízen Energia is a producer of ethanol, sugar and bioenergy from sugarcane. Sugarcane is the most competitive and viable feedstock because of its low production cost and high energy efficiency ratio relative to other energy sources, such as corn and sugar beet. Raízen Energia accounted for 10% of the crushed sugarcane of the Central-South region of Brazil for the 2019/2020 harvest year, according to UNICA, the largest sugarcane crushing company in Brazil.

Raízen Energia produces bioenergy from sugarcane bagasse and currently has an installed energy generation capacity of 1 GW from its 26 mills mainly located across five clusters in the Central-South region.

The following are the five main lines of activity in which Raízen Energia is engaged:

- *Sugarcane cultivation*: Raízen Energia uses sugarcane cultivated in the states of São Paulo, Mato Grosso do Sul and Goiás. In the fiscal year ended March 31, 2020, there were approximately 860 thousand hectares of cultivated area, with the majority of the land located in the state of São Paulo. Raízen Energia invests in research and technology to maximize land management by increasing sugarcane productivity without increasing the cultivated acreage. In addition, Raízen Energia promotes biological pest control in its cane fields, a practice that makes it possible to reduce the use of chemical pesticides. Raízen Energia also stands out in the field of agricultural mechanization. In the 2019/2020 harvest year, the level of harvest mechanization at Raízen Energia was 99%, an improvement from 98% in the 2018/2019 harvest year. To achieve this result, Raízen Energia invests heavily in equipment and training of rural workers.

- *Ethanol production*: A “green” and environmentally friendly fuel, ethanol is produced from the processing and fermentation of sugarcane. It represents a major competitive advantage for Brazil in energy production

and contributes to the maintenance of a cleaner and renewable energy matrix. Raízen Energia is the largest individual producer in Brazil, according to UNICA, with an annual volume of approximately 2.5 billion liters in the fiscal year ended March 31, 2020. In the domestic market, Raízen Energia sells mainly anhydrous and hydrous ethanol fuel through Shell-branded service stations as well as other fuel distributors. Ethanol products are also sold to several industries (chemicals, beverages, and perfumes) and for the production of "green plastic," which is made of biodegradable materials. Raízen Energia exports a significant part of its ethanol production, consisting of alcohol for industrial purposes, neutral alcohol and ethanol fuel. Its main customers are trading companies that distribute the product across the globe.

- *Sugar production*: Raízen Energia is the largest individual exporter of sugar in the international market, with an annual production of approximately 3,791.9 thousand tons of sugar in the fiscal year ended March 31, 2020. In the 2019/2020 harvest year, 67% of the sugar sold by Raízen Energia was exported.

- *Sales and trading*: Sales and trading is a key pillar of value generation, with which we hope to capture maximum value along the supply chain. It includes logistics, quality products, as well as access to end customers. We believe we are a prominent ethanol trader globally, able to reach customers across the world directly, with a strong presence in the United States, Europe, Philippines and Singapore, through Raízen Trading. The company also has been investing to capture additional value in the sugar value chain. We have invested in sugar storage, which gives us the ability to capture better prices by concentrating sales in the off-season. Another strategic driver is our objective of maximizing the value of our products by advancing in the sugar cane value chain and reaching the final consumer without the use of intermediaries.

- *Energy production and trading*: Raízen Energia's 26 production units are self-sufficient in energy consumption and 13 of them have long-term contracts for the sale of surplus power to the Brazilian energy grid. Raízen Energia has an installed potential capacity of approximately 1 GW. Raízen Energia's bioenergy business generates a stable cash flow stream across commodity cycles, which helps offset the volatility of its sugar and ethanol operational cash flows. In 2018 we acquired a power trading company, RWXE Participações S.A., or WX Energy, in order to strengthen our objective to be an integrated energy company, focusing on the opportunities arising to connect consumers and producers in the open portion of the Brazilian energy market. Through WX Energy, we sold 10,541 thousand MWh in the fiscal year ended March 31, 2020 and 6,136 thousand MWh in the fiscal year ended March 31, 2019.

Raízen Energia recorded net operating revenue of R$30,710.5 million, net income of R$273.9 million and Adjusted EBITDA of R$3,437.0 million in the fiscal year ended March 31, 2020, net operating revenue of R$22,405.6 million, net income of R$473.0 million and Adjusted EBITDA of R$2,918.7 million in the fiscal year ended March 31, 2019 and net operating revenue of R$14,752.4 million, net income of R$642.8 million and Adjusted EBITDA of R$4,131.8 million in the fiscal year ended March 31, 2018.

| **Raízen Energia Highlights** | **For the Fiscal Year Ended March 31,** | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Crushed sugarcane (million tons) | 59.6 | 59.7 | 61.2 |
| Total recoverable sugar (TSR) | 135.1 | 133.4 | 133.0 |
| Total Production Cost (US$c/lb)(1) | 11.4 | 10.3 | 10.6 |
| Sugar volume sold (thousand tons) | 3,900.5 | 3,692.3 | 4,682.7 |
| Ethanol volume sold (million liters) | 5,324.7 | 4,852.4 | 4,334.8 |
| Energy sold (thousand MWh) | 26,878.0 | 16,692.1 | 3,927.6 |
| Net sugar sales (R$ million) | 4,646.8 | 3,902.1 | 5,435.9 |
| Domestic market | 1,542.3 | 1,299.8 | 1,233.0 |
| External market | 3,104.5 | 2,602.3 | 4,202.9 |
| Net ethanol sales (R$ million) | 11,480.3 | 9,096.3 | 7,443.8 |
| Domestic market | 6,673.3 | 6,354.3 | 5,313.4 |
| External market | 4,806.9 | 2,742.0 | 2,130.4 |
| Net energy bioenergy sales (R$ million) | 3,866.0 | 3,463.5 | 952.2 |
| Other products and services (R$ million) | 10,717.4 | 5,943.7 | 920.5 |

| Raízen Energia Highlights | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Raízen Energia net operating revenue (R$ million) | 30,710.5 | 22,405.6 | 14,752.4 |
| Net income (R$ million) | 273.9 | 473.0 | 642.8 |
| Adjusted EBITDA (R$ million)(2) | 3,437.0 | 2,918.7 | 4,131.8 |

(1) Total Production Cost of own sales volumes does not include resale and trading and includes depreciation and amortization, planting and harvesting, agricultural depreciation (machinery and equipment), industrial depreciation and intercrop maintenance. Total production cost does not include biological assets effects, and is partially offset by cogeneration revenues. It considers the average foreign exchange rate for each year.

(2) Adjusted EBITDA is a non-GAAP measure. See "Business—Our Operations" for a reconciliation of Raízen Energia's consolidated net income to Adjusted EBITDA.

**Our Competitive Strengths**

As a low-cost, large-scale producer and distributor with well-established and integrated operations in the energy and fuels sectors, Raízen is able to create and capture value in the current and upcoming market context due mainly to:

***Leading positions in the markets we operate***

We enjoy leading market positions in all of the markets in which we operate, including:

- *Fuel Distribution*: through Raízen Combustíveis, we are Brazil's second largest fuel distributor, with an estimated combined 20.9% market share in terms of combined volume sold by major companies for the fiscal year ended March 31, 2020, according to ANP. Additionally, we enjoy significant brand recognition by operating under the Shell brand name, which brings benefits from higher sales of value-added products (for instance, gasoline and differentiated fuels such as Shell V-Power and Shell Evolux); and

- *Sugar, Ethanol, and Bioenergy*: through Raízen Energia, the largest sugarcane processor in Brazil, we crushed 59.6 million tons and sold 3,900 thousand tons of sugar in the fiscal year ended March 31, 2020 (67% of which was sold abroad). We sold 5,325 million liters of ethanol (including 2,498 million liters of own production) in the same period (36% of which was sold abroad). As of March 31, 2020, we had a total installed energy generation capacity of 1 GW.

***Strategically located assets with significant geographic synergy***

Our existing mills, sugarcane fields, fuel distribution terminals and other assets are strategically located nationwide, and are concentrated near the largest consumer markets in the country.

- *Fuel distribution*: Raízen Combustíveis' distribution assets consist of 70 terminals, which are either operated by us or by third parties. Our terminals are strategically located mainly in the Southeast and South regions of Brazil near major fuel markets and fuel distribution infrastructure. We have also developed a strong infrastructure in North and Northeast Brazil, as well as import hubs, to make our supply strategy more competitive. In addition, our refinery is located in the metropolitan area of Buenos Aires, with direct access to Argentina's major market.

- *Sugar, Ethanol and Bioenergy*: of our 26 mills, 24 are located in the state of São Paulo where they operate in clusters allowing operational synergies and leveraging from their proximity to each other. The state of São Paulo is one of the world's most productive sugarcane regions, primarily because of its favorable soil, topography and climate, and nearby research and development organizations and infrastructure facilities. The average distance from the fields where Raízen's sugarcane is harvested to our mills is approximately 30 kilometers (approximately 19 miles). The proximity of our milling facilities to the land on which Raízen's sugarcane is cultivated reduces our transportation costs and enables us to process sugarcane within 48 hours of harvesting, thereby maximizing sucrose recovery.

***Synergies from an integrated supply and logistics platform***

We are a vertically integrated energy company, active in every phase of activity from cane production to fuels distribution. Once harvested, we crush and refine the sugarcane in our mills to produce sugar and ethanol, and generate electricity through bioenergy from sugarcane bagasse. We export and distribute our sugar and ethanol through a variety of channels, including our affiliates in Brazil and abroad, through our distribution subsidiaries Raízen Trading LLP and Raízen International Universal Corporation. We generate significant synergies from this integration.

As the world's largest processor of sugarcane and the second largest fuel distributor in Brazil, we benefit from our knowledge on sugar and ethanol supply and demand dynamics, which allows us to optimize our decision-making process in areas like sugar and ethanol production mix, inventory levels, sales timing and commercial/pricing strategy. With those differentials, we are in a unique position to capture additional value from fluctuations in ethanol prices during harvest periods.

We believe that the increasing integration of trading and supply of our fuel distribution businesses in Argentina and Brazil is also a competitive advantage.

***Balanced risk profile***

Our diversified businesses coupled with our financial position and large scale generate a unique and balanced risk profile among South American companies. Raízen Energia's sugar and ethanol operations benefit from high and more-volatile margins, while Raízen Combustíveis' large-scale downstream fuels distribution business benefits from consistent performance and stable cash flows.

Sugar prices, ethanol prices, oil products prices and exchange rates are the main market risks within our sugar, ethanol and energy business. We believe we have a robust framework to manage those risks which includes, among other things: (i) policies dealing with trading and treasury risks approved by our board of directors; (ii) an independent risk management structure to monitor all exposures on a daily basis; and (iii) a senior risk committee that meets on a weekly basis to discuss and monitor sugar and ethanol prices, exchange rate exposures, hedging positions, margin calls (cash at risk), counterparty risk and stress scenarios.

***Strong shareholder commitment***

We believe Raízen is a valuable asset for its shareholders. As a result of its brand licensing agreement with Shell, Raízen has grown to become one of the largest downstream businesses for Shell globally and is a key vehicle for Shell's growth in the renewable energy sector. Raízen is a key asset in Cosan's portfolio and benefits from Cosan's expertise in the sugar and ethanol business. Shareholder commitment is demonstrated by their stand-by committed line of credit of U.S.$700 million and by the seniority of the members of the board of directors designated by each of our shareholders.

***Experienced and professional management team with a culture of meritocracy***

We have a strong and complementary management team with extensive experience in the sugar and ethanol businesses as well as in the fuel distribution business. Unlike many of our domestic competitors in the sugar and ethanol industries, we have completed the evolution from a family-operated business to a company managed by professionals with significant experience in the energy and infrastructure industries. At the time of the creation of the Raízen joint venture between Cosan and Shell, key executive officers from both shareholders' management teams have joined our management team and successfully implemented a culture of meritocracy. For more information, see "Management."

***Strong balance sheet and credit profile***

Since our inception, we have adopted financial and treasury policies designed to promote a credit profile commensurate with an investment grade rating. Accordingly, we currently adhere to the following key principles:

- a focus on financing recurring/operational capital expenditure from operational cash flows, with a cushion for adverse scenarios; and

- dividend payments established on an annual basis taking into consideration (1) cash generated throughout the period, (2) our growth plan, (3) access to financing, and (4) maintenance of a credit profile commensurate with an investment grade rating.

We maintain a highly manageable debt amortization profile and benefit from adequate liquidity given our cash reserves of R$8.6 billion (as of March 31, 2020). In addition, Raízen's liquidity is also reinforced by our existing bank revolving credit facility of U.S.$300 million and our shareholders' committed line of credit of U.S.$700 million. For additional information on our revolving credit facility, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Material Financing Agreements—Revolving Loan Facility Agreement."

We believe that these elements have contributed to Raízen's strong credit ratings, along with the steady cash generation. It is worth noting that Raízen is today one the very few investment-grade Brazilian companies.

**Our Strategy**

The main components of the strategies of each of our business segments are:

***Fuel Distribution (Raízen Combustíveis)***

- *Continue retail growth through selective dealer conversion.* We plan to continue investing in the conversion of non-branded stations to the Shell brand;

- *Continue to maximize operating efficiencies*. We will continue to focus on improving the efficiency of Raízen Combustíveis' operations in the fuel distribution business by focusing on the following key areas: (1) strategic positioning of infrastructure to optimize supply and logistical efficiency; (2) maximizing the utilization of retail stations to keep the highest throughput per station in the market—we continuously monitor the sales and profitability of each service station in our retail network and eliminate underperforming sites, particularly in regions we consider less strategic; and (3) maximize synergies with our operations in Argentina, with the integration of our trading platform, systems and back-office operations.

- *Convenience Stores – Nós Joint Venture*. Through this new joint venture, Raízen Combustíveis intends to accelerate the development of the Shell Select network growth through franchise and own operations, as well as to implement and expand the business of convenience stores outside gas stations under the "OXXO" brand. We currently have 1,067 convenience stores in Brazil and we have set an internal target to increase this to 5,000 stores (across the Select and OXXO brands) in the coming years. This is a new business opportunity, with the right partner, which we believe has great potential to generate additional value and improve the offer to our customers.

- *Digitalization*. Raízen Combustíveis plans to maximize its assets and relationship with B2B customers and final consumers through increased use of technology, such as Shell Box platform, allowing clients to make digital payments and obtain other advantages and rewards to be used at our Shell network.

***Sugar, Ethanol and Bioenergy (Raízen Energia)***

- *Seek further productivity improvements and cost efficiency*. We are enhancing Raízen Energia's productivity through additional investments in our fields, precision agriculture, more efficient agricultural, industrial and logistics processes, expanded satellite monitoring of sugarcane, emphasis on employee training programs, and improvements in information flows and internal controls systems. These measures are complemented by portfolio optimization initiatives, in order to achieve a proper balance of own and

third-party sugarcane and the optimal combination of mills, clustered in logistic hubs, while also exploring opportunities through selective acquisitions and partnerships to capture additional synergies.

- *Continuous development of our commercialization strength*. Today we are one of the major ethanol traders in the world, able to reach customers across the world directly, with a strong presence in the United States, Europe and Asia. We expect to benefit from growth in the global ethanol trade resulting from the gradual lowering of trade barriers that have limited our access to certain major markets, as well as mandatory blending requirements to use ethanol as an additive to gasoline. As the largest Brazilian producer and exporter of sugar, we have also invested in sugar storage, which gives us the ability to capture better prices by concentrating sales in the off-season. Also as part of our strategy, we endeavor to maximize the value captured from our products by advancing in the sugar cane value chain and reaching the final customer. As an integrated business, we are also in a key position to become a leader in the RenovaBio program. RenovaBio is a Brazilian governmental policy that recognizes the strategic role of all biofuels in the Brazilian energy mix, its contribution to energy security and the mitigation of greenhouse gas emissions in the fuel sector. The program introduces decarbonization credits linked to decarbonization goals.

- *Explore the bioenergy potential of Raízen Energia's mills and further develop our renewable energy business*. Raízen Energia currently has an installed energy generation capacity of approximately 1 GW per year from 26 mills, 13 of which sell surplus energy to the grid and on the spot market. Our bioenergy business creates a stable cash flow stream across commodity cycles, thereby offsetting the volatility of our more cyclical cash flows and operations. We intend to expand our bioenergy surplus by increasing the energy efficiency of our mills, maximizing the recovery of straw from the fields and buying biomass from third parties during the sugarcane offseason.

- *Developing our Renewable Energy Business*. Raízen Energia plans to increase its renewable energy footprint by fostering the use of solar, biogases, E2G and sugarcane pellets (biomass for energy generation) as well as through its circular economy approach, which takes advantage of existing biomass to manufacture ethanol, sugar and energy for our clients using our proprietary technology. Apart from the already-established process to produce bioenergy from burning bagasse, we have also invested in new technologies, including proprietary technologies, to develop alternative uses for sugarcane biomass like E2G that we are running at a commercial scale. This technology, which has the potential to be licensed to other market participants and other countries, increases ethanol generation by approximately 30-50% from what was once considered a byproduct. Another technology being developed is to transform biomass into pellets. We have the only plant in Brazil capable of doing this. Last year we tested our technology and exported sugar-cane pellets to be used in Germany replacing coal. A third development is the production of biogas from vinasse. This is a byproduct that effectively has no value and with a well-known technology it can be transformed in biogas and subsequently into energy. We believe that biomass availability and our proprietary technologies combined with our trading capabilities and access to B2B clients and end consumers put us in a unique position to develop opportunities in the renewable energy businesses and will create a new value stream that should quickly grow with the global energy transition.

***Environmental, social and governance ("ESG") strategy***

*Environmental and social*

We have developed a corporate strategy for sustainable development focused mainly on operating responsibly across our value chain and delivering quality products to customers and society. We highlight the following among our corporate governance practices:

- We are a prominent producer of ethanol and renewable energy, and thereby significantly contribute to the bio-economic and sustainable development goals established by the United Nations. Our surplus bio-electricity exports are important in contributing to the overall green nature of Brazil's energy mix. Highlights of our innovation over the past years include the mechanization of harvesting and the cogeneration of energy from sugarcane bagasse. Both of these enable sugarcane products to achieve substantial greenhouse gas savings compared to competing products.

- Our goal to achieve full operational efficiency has led us to set a voluntary emission reductions target. We are committed to reducing the carbon footprint of our ethanol by increasing productivity as well as by using fuel and agricultural inputs more efficiently. Currently, we disclose in our annual report our annual quantification and reporting of corporate greenhouse gas emissions.

- As part of our ESG strategy, we have achieved certification by Bonsucro's rigorous social and environmental standards, with Raízen accounting for 25% of all certified sugarcane worldwide. We are committed to having all of our mills certified pursuant to Bonsucro standards, which cover several essential ESG aspects, such as land use, greenhouse gas emissions, forced and child labor, biodiversity, surrounding community management and compliance with local laws, among others. Since half of our sugarcane is purchased from third party suppliers, we have led the creation of an innovative program, *Programa ELO,* in the sugar and ethanol sector to provide technical assistance to suppliers so they can continue improve their processes. *Programa ELO* is a unique program which covers 94% of the feedstock we purchase and which we believe brings sustainable sourcing to a new level in sugarcane sector. We have also changed the way sugarcane byproducts are perceived. We build upon our circular economy model with each crop to ensure better efficiency, while also growing programs focused on reducing consumption and disposal gains. A prominent example is the production of second generation ethanol, in which we believe we are a global leader.

*Governance*

We adopt best practice corporate governance standards, including clear delegation of authority in our bylaws and policies, internal controls including those related to Sarbanes-Oxley, and treasury and trading policies, which determine the risk level that we may incur. Our executives report to the board of directors, which includes three representatives from each of our shareholders. Members of our board of directors are all industry-leading executives at both Shell and Cosan. There are four established committees that provide technical support to the board on critical issues, with members from our management and representatives of both shareholders on each committee. We continually seek to align the various stakeholders within our organization on relevant topics, such as audit, treasury, tax and accounting, social responsibility and compensation.

We have a code of conduct which requires persons within our organization to act ethically, in compliance with applicable law and to abide by fair labor practices (equal opportunities and combating harassment, prejudice and discrimination).

***Sustainability strategy***

Our sustainability strategy is mainly focused on operating responsibly across our value chain, by disseminating awareness along our value chain regarding the importance of managing greenhouse gas emissions. We achieve this by working on three pillars that cover our main raw materials, our process efficiency and our people:

- *Raw materials*. We have two strong sustainability programs for sugarcane. We closely monitor, on an ongoing basis, the social and environmental aspects of agricultural practices and sustainable sourcing.

- *Process efficiency*. We are committed to reducing our carbon footprint, and to developing a more efficient production process to contribute to the fight against climate change. We foster emission reduction through the usage of low emissions feedstocks.

- *People*. We view respect for human rights as a business priority, and strive to provide a respectful work environment. In addition, we joined a program called "Na Mão Certa" in partnership with Childhood NGO in order to protect children against sexual abuse and exploitation on the roads of Brazil. It includes training, strengthening protection networks and influencing public policies.

**Recent Developments**

***New Financings***

We have entered into certain financing agreements since March 31, 2020, including:

- On May 8, 2020 Raízen Combustíveis entered into an Export Prepayment Contract, or EPP, with Banco Santander S.A. in the amount of U.S.$50 million. This EPP matures in November 2020.

- On May 28, 2020, Raízen Combustíveis entered into an EPP with Coôperatieve Rabobank U.A. in the amount of U.S.$50 million. The EPP matures in June 2022.

- Raízen Energia carried out its fifth issuance of debentures on June 15, 2020, in an aggregate amount of R$169.5 million, or the "Debentures of the Fifth Issuance." The single series accrues interest at a rate equal to IPCA plus 5.8000% per annum and matures on June 15, 2030. The Debentures of the Fifth Issuance are guaranteed by a corporate guarantee from Raízen Combustíveis.

- On June 15, 2020, True Securitizadora S.A. issued and publicly offered a certain certificate of agribusiness receivables, or CRA, in an aggregate amount of R$1.1 billion, backed by debt instruments issued by Raizen Energia and guaranteed by Raízen Combustíveis. The first series of CRA accrues interest at a rate equal to IPCA plus 5.4000% per annum and matures on June 15, 2027. The second series of CRAs accrues interest at a rate equal to IPCA plus 5.8000% per annum and matures on June 15, 2030.

- On April 1, 2020, we drew down R$16.0 million under existing facilities with BNDES.

- On April 9, 2020, Raízen Energia entered into an Advance on Currency Exchange Contract in the amount of U.S.$25 million. The ACC has a fixed interest rate and matures in April 2021.

- On April 17, 2020, Raízen Argentina entered into a short-term loan (*préstamo a corto plazo*) with the Argentine branch of Citibank N.A. for a total amount of ARS2.6 billion, maturing on July 16, 2020.

For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Material Financing Agreements."

***COVID-19 Pandemic***

On March 11, 2020, the World Health Organization, or WHO, declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. The COVID-19 pandemic and governmental responses to the pandemic have dramatically altered the global landscape and have had a severe impact on global and Brazilian economic conditions, including: (i) significant disruption and volatility in the financial markets; (ii) disruption of global supply chains; (iii) closures of many businesses, leading to loss of revenues and increased unemployment; and (iv) the institution of social distancing and sheltering-in-place requirements in Brazil, the United States and globally. If the pandemic is prolonged, the adverse impact on the Brazilian economy and worldwide could deepen.

In response to the COVID-19 pandemic, we have implemented several measures aimed at safeguarding the health of our employees, and the stability of our operations and financial condition, including: (1) having our employees work remotely (if possible), (2) following health and safety guidelines to protect employees in our essential operations who need to work onsite, (3) optimizing the use of contractors and employee hours, and (4) renegotiating, where possible, certain contracts with suppliers and clients to reflect reductions in demand for our products.

The spread of COVID-19 and the recent developments surrounding the global pandemic have had a negative impact on certain aspects of our business. Based on the preliminary information available to date, we believe that the main effects of the pandemic on our business are related to (i) demand for products due to the social distancing measures implemented in the countries in which we operate since approximately mid-March 2020 and (ii) fuel price volatility linked to international prices variation due to an imbalance between supply and demand. The size of the

impact on our business will depend on the evolution of the pandemic which is highly uncertain and cannot be predicted. We believe that the main impacts in the first weeks after the pandemic (mainly the month of April 2020) was declared by the World Health Organization (through April 17, 2020) might be on the order of the following:

*Raízen Combustíveis*

- Fuel sales decreased nearly 42% in the Otto cycle (gasoline and ethanol) and 14% in diesel during April 2020 as compared to March 2020. In the aviation segment, demand was significantly impacted by the reduction of flights operated by our main customers, with a decrease of nearly 82% during April 2020 compared to March 2020.

*Raízen Energia*

- As of the date of this offering memorandum, there has been no major impact on the operations of our mills, which started the harvest on April 1, 2020, as expected. Demand for ethanol was reduced in line with the lower demand for fuels. With respect to sugar, sales were already contracted for the 2020/2021 harvest year, with no significant impact on our sales and trading strategy as of the date of this offering memorandum.

We expect that our results for the first quarter of the 2020/2021 harvest year may be affected by:

*Volumes of fuels sold in Brazil*. According to ANP, the total volume of fuels sold in Brazil in March 2020 and April 2020 dropped by 6.2% and 22.9% compared to March 2019 and April 2019, respectively. In the following weeks, there was a gradual recovery in market volumes as some regions of Brazil implemented flexibility measures to the social distancing rules. Nevertheless, we cannot predict whether or at what pace, any such recovery might continue.

| | April 2020 | March 2020 | April 2019 | March 2019 | April % | March % |
|---|---|---|---|---|---|---|
| Total volume of fuel sold in Brazil (in million liters) | 7,455 | 8,839 | 9,670 | 9,426 | (22.9%) | (6.2%) |

- *Sale Volumes of Sugar, Ethanol and Bioenergy.* The timing for the sale of sugar, ethanol and bioenergy by Raízen Energia is linked to our trading strategy, which seeks the best return on the sale of those products. Therefore, depending on price profile expected for the year, we may choose to concentrate a major part of our sales towards the end of the crop year (inter-crop) when the price of our products tends to be better.

- *Average prices:* We experienced significant decreases in average prices for fuel and ethanol sold in April and May 2020 compared to the same period last year as set forth below:

| | May 2020 | April 2020 | March 2020 | May 2019 | Apr 2019 | Mar 2019 | May % | Apr % | Mar % |
|---|---|---|---|---|---|---|---|---|---|
| Average Crude Oil price (in U.S.$ per barrel) (1) | 35.2 | 26.9 | 33.0 | 69.0 | 71.6 | 67.7 | (49.0)% | (62.5)% | (51.2)% |
| Average price of gasoline in Brazil (in R$ per liters)(2) | 3.276 | 3.509 | 3.996 | 4.130 | 4.002 | 3.872 | (20.7)% | (12.3)% | 3.2% |
| Average price of diesel in Brazil (in R$ per liters)(2) | 2.532 | 2.823 | 3.111 | 3.276 | 3.179 | 3.165 | (22.7)% | (11.2)% | (1.7)% |
| Average price of ethanol Anhydrous in Brazil (in R$ per liters)(4) | 1.580 | 1.574 | 2.081 | 1.924 | 1.986 | 1.879 | (17.9)% | (20.8)% | 10.8% |
| Average price of ethanol Hydrous in Brazil (in R$ per liters)(4) | 1.435 | 1.357 | 1.809 | 1.645 | 1.846 | 1.798 | (12.8)% | (26.5)% | 0.6% |

(1) Brent Oil Futures prices shown on Investing.com.

(2) Volume and prices of fuel – ANP.

(3) Argentine Secretary of Energy.

(4) Ethanol prices - CEPEA/ESALQ.

The fuel distribution sector in Argentina is also facing significant volume and price reductions.

- *Net realizable value of inventories*. Since March 2020, Crude Oil, Gasoline, Diesel and Ethanol prices have experienced significant volatility due to (i) a drop in consumption caused by social distancing implemented by many countries, (ii) debates on production among important producing countries such as Saudi Arabia and Russia, resulting in both negative and positive impacts on the prices. Typically, when prices drop we may recognize a negative impact on our margins and higher priced inventories will be sold in a lower priced market (resulting in inventory loss), ultimately affecting net income. The opposite effect (gain in inventories) may have a positive effect on net income when fuel prices increase. As of March 31, 2020, we recognized a decrease of R$94.5 million on ethanol and oil product inventories.

- *Financial results:* Losses in inventories, along with the decreases in volumes sold and average sales prices in April and May 2020, will result in significant decreases in our net revenue and operating income compared to the same periods in 2019 and may result in a material negative impact on our EBITDA for the three months ended June 30, 2020.

- *Liquidity*. Raízen reinforced its liquidity level during this period of high volatility by entering into new credit facilities in an aggregate principal amount of approximately R$2 billion and maintaining our undrawn revolving credit facility in an aggregate principal amount of US$1 billion. We have also maintained our S&P and Fitch corporate ratings' investment grade to date. For further details on our indebtedness, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness."

- *Capex*. We do not expect reductions or significant impacts on our recurring and operating investments for the 2020/21 harvest. Instead, we plan to postpone some expansion projects that are not mandatory at this time.

The extent to which the COVID-19 pandemic may affect our operational results, financial position and cash flows are subject to numerous factors, mainly the evolution of the pandemic, which is highly uncertain and cannot be predicted, including the future severity of COVID-19 and the measures taken to contain the virus or address its impact. See also "Risk Factors—Risks Related to Our Business and Industries in which We Operate—Our business, operations and results may be adversely impacted by COVID-19."

**The Issuer**

Raizen Fuels Finance S.A., a public limited liability company (*société anonyme*) organized and existing under the laws of Luxembourg since January 20, 2014, having its registered office at 14, Rue Edward Steichen, L- 2540 Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B 184.033, is a wholly-owned subsidiary of Raízen Energia. See "The Issuer."

**The Guarantors**

***Raízen Energia S.A.***

Raízen Energia S.A. is a corporation (*sociedade anônima*) organized and existing under the laws of Brazil (Brazilian Corporation Law (Law No. 6,404 of December 15, 1976)). It was incorporated on June 1, 2011 for an indefinite period. It is registered with the Commercial Registry of São Paulo under number NIRE 35.300.339.169 and its registered office is at Av. Brigadeiro Faria Lima, 4100, 11th floor, part V, Itaim Bibi, São Paulo, State of São Paulo, Brazil, 04538-132. Article 2 of the by-laws of Raízen Energia S.A. provides that its corporate purpose includes, among other things, (i) the manufacture, distribution and sale of sugarcane; (ii) the manufacture of sugarcane ethanol subproducts, and (iii) the development and licensing of technology related to the manufacture of sugar and ethanol.

***Raízen Combustíveis S.A.***

Raízen Combustíveis S.A. is a corporation (*sociedade anônima*) organized and existing under the laws of Brazil (Brazilian Corporation Law (Law No. 6,404 of December 15, 1976)). It was incorporated on June 1, 2011 for an indefinite period. It is registered with the Commercial Registry of Rio de Janeiro under number NIRE 33.300.298.673 and its registered office is at Avenida Almirante Barroso, nº 81, 36th floor, Sala 36A104, Rio de Janeiro, State of Rio de Janeiro, Brazil, 20031-004. Article 2 of the by-laws of Raízen Combustíveis S.A. provides that its corporate purpose includes, among other things, (i) the distribution and sale of ethanol and petroleum, fuels and other fluid hydrocarbons and their subproducts, as well as items required for such activities, such as motors, tires, batteries, etc.; (ii) the sale and trading of natural gas; (iii) convenience stores; (iv) credit card administration; and (v) development and licensing of technology in global scale related to the manufacture of sugar and ethanol.

## THE OFFERING

*This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the new notes. You should carefully read this entire offering memorandum before investing in the new notes, including "Risk Factors" and our combined consolidated financial statements. Certain defined terms used in this summary are defined under "Description of the Notes—Certain Definitions."*

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|---|---|
| Issuer | Raizen Fuels Finance S.A., a public limited liability company (*société anonyme*), organized and existing under the laws of Luxembourg, having its registered office at 14, rue Edward Steichen, L-2540, Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 184.033. |
| Guarantors | Raízen Combustíveis S.A. and Raízen Energia S.A., or the Guarantors, will unconditionally and irrevocably guarantee, on an unsecured basis, all of Issuer's obligations pursuant to the notes and the indenture under which they are issued. |
| Initial Purchasers | BNP Paribas Securities Corp., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, MUFG Securities Americas Inc., Scotia Capital (USA) Inc., Banco Bradesco BBI S.A. and Santander Investment Securities Inc. |
| Notes Offered | U.S.$225,000,000 aggregate principal amount of 5.300% notes due 2027, pursuant to this offering, or the new notes.<br><br>The new notes will be additional notes issued under an indenture, dated as of January 20, 2017 pursuant to which the issuer initially issued U.S.$500.0 million aggregate principal amount of its 5.300% Notes due 2027, or the initial notes.<br><br>The new notes will have identical terms and conditions as the initial notes, other than the issue date and issue price, and will constitute part of the same series as, and vote together as a single class with, the initial notes. The new notes and the initial notes will share the same CUSIP and ISIN numbers and be fungible (except that any new notes offered and sold in compliance with Regulation S will have temporary CUSIP, ISIN and Common Code numbers during a 40-day distribution compliance period commencing on the date of issuance of the new notes). |
| Qualified Reopening | The issuance of the new notes is expected to be treated a "qualified reopening" of the initial notes |

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| | for U.S. federal income tax purposes. See "Certain U.S. Federal Income Tax Consequences." |
| Issue Price | 103.768% of the principal amount of the new notes plus accrued interest from (and including) January 20, 2020 to (but excluding) July 7, 2020, plus any additional accrued interest if we deliver the new notes after that date. |
| Issue Date | July 7, 2020 with respect to the new notes. |
| Maturity Date | January 20, 2027. |
| Interest | The new notes will bear interest from July 7, 2020 at the annual rate of 5.300%, payable semi-annually in arrears on each interest payment date. |
| Interest Payment Dates | January 20 and July 20 of each year, commencing on July 20, 2020 with respect to the new notes. |
| Ranking | The new notes will be the Issuer's unsecured obligations and will rank equally in right of payment with the existing and future senior unsecured indebtedness of the Issuer (except those obligations preferred by operation of law, including labor and tax claims under Brazilian law) and will be senior to any subordinated indebtedness of the Issuer. The new notes will effectively rank junior to any and all secured debt of the Issuer to the extent of the value of the assets securing the debt.<br><br>At the issue date, the new notes will be guaranteed on an unsecured basis by the Guarantors. The guarantees will be an unsecured obligation of the Guarantors and will rank equally in right of payment with the Guarantors' other unsecured indebtedness and guarantees. The guarantee obligations in respect of the new notes will be effectively subordinated to the Guarantors' secured indebtedness and to the liabilities of the Guarantors' respective subsidiaries. Under Brazilian law, holders of the new notes will not have any claim whatsoever against our non-guarantor subsidiaries.<br><br>None of the subsidiaries of the Guarantors will guarantee the new notes. The new notes and the guarantees will be effectively subordinated to claims of creditors (including trade creditors and preferred stockholders, if any) and structurally subordinated to all existing and future indebtedness of the subsidiaries (other than the Issuer) of the Guarantors. |

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| Tax Redemption | The new notes may, at the option of the Issuer, be redeemed, in whole but not in part, at 100% of their principal amount plus accrued interest on or after or at any time upon the occurrence of specified events relating to taxes imposed by Relevant Jurisdictions (as defined in "Description of the Notes—Payment of Additional Amounts"), as described under "Description of the Notes—Redemption for Taxation Reasons." |
| Additional Amounts | Payments of interest on the new notes will be made after withholding and deduction for any taxes imposed by any Relevant Jurisdiction (as described under "Description of the Notes—Payments of Additional Amounts"). The Issuer or the Guarantors will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions set forth under "Description of the Notes—Payment of Additional Amounts." |
| Covenants | The indenture governing the new notes contains covenants that, among other things, limit the ability of the Guarantors and their respective subsidiaries to:<br>• create certain liens; and<br>• consolidate, merge, transfer or lease all or substantially all of their assets.<br>In addition, the Issuer is subject to additional restrictive covenants pursuant to the indenture.<br>These covenants are subject to important exceptions and qualifications that are described under the heading "Description of the Notes—Certain Covenants" in this offering memorandum. For a detailed description of the notes, see "Description of the Notes." See also "Risk Factors—Risks Relating to the Notes and the Guarantees." |
| Change of Control Offer | Upon the occurrence of a Change of Control that results in a Ratings Decline, you will have the right, as a holder of the notes, subject to certain exceptions, to require the Issuer to repurchase some or all of your notes at 101% of their principal amount, plus accrued and unpaid interest, if any, on the repurchase date. See "Description of the Notes—Purchase of Notes upon Change of Control Event." |

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| Events of Default..... | For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued interest, see "Description of the Note—Events of Default." |
| Further Issuances..... | The Issuer may from time to time without notice to or consent of the holders of notes create and issue an unlimited principal amount of additional notes of the same series as the notes initially issued in this offering; *provided that* if such additional notes are not fungible with the initially issued notes for U.S. federal income tax purposes such additional notes will be issued under a separate CUSIP or other identifying number. |
| Use of Proceeds..... | We expect to use the net proceeds from this offering for general corporate purposes. |
| Form and Denomination; Settlement..... | Any new notes sold outside the United States to non-U.S. persons in reliance on Regulation S will be in fully registered form without interest coupons attached, only in denominations of U.S.$200,000 and in integral multiples of U.S.$1,000 in excess thereof. Any new notes sold pursuant to Rule 144A will be issued in fully registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.<br><br>The new notes will be issued in book-entry form through the facilities of DTC, for the accounts of its participants, including indirectly Euroclear, as the operator of the Euroclear System, and Clearstream, and will trade in DTC's same-day funds settlement system. Beneficial interests in the new notes held in book-entry form will not be entitled to receive physical delivery of certificated notes, except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see "Description of the Notes." |
| Transfer Restrictions ..... | The new notes have not been registered under the Securities Act and are subject to certain restrictions on transfer, see "Transfer Restrictions." |
| Luxembourg Listing and Trading..... | The initial notes are currently listed on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF. We will apply to list the new notes on the Official List of the Luxembourg Stock Exchange and to admit the new notes to trading on the Euro MTF. We cannot assure you, however, that this application will be accepted, or, if accepted, that the notes will remain listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF. If the notes are delisted, the Issuer will use reasonable |

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| | efforts to list the notes in another comparable exchange. However, there can be no assurance that Issuer will obtain an alternative admission to listing, trading and/or quotation for the notes by another listing authority, exchange and/or system within or outside the European Union. |
| Ratings..... | The new notes have been assigned a rating of BBB- by Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., or S&P, and a rating of BBB by Fitch Ratings Inc., or Fitch. These ratings are not a recommendation to purchase, hold or sell new notes, and they do not comment as to market price or suitability for a particular investor. These ratings are based upon current information furnished to S&P and Fitch by the Issuer and information obtained by S&P and Fitch from other sources. These ratings may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information. |
| Governing Law..... | The indenture and the new notes will be governed by the laws of the State of New York. Articles 470-1 to 470-19 (both included) of the Luxembourg Act of 10 August 1915 on commercial companies, as amended, or the Luxembourg Companies Act, shall not apply to the new notes. |
| Trustee, Principal Paying Agent, Registrar and Transfer Agent..... | U.S. Bank National Association. |
| Selling Restrictions..... | There are restrictions on persons to whom new notes can be sold, and on the distribution of this offering memorandum, as described in "Plan of Distribution." |
| Risk Factors..... | You should carefully consider all of the information contained in this offering memorandum prior to investing in the new notes. In particular, we urge you to carefully consider the information set forth under "Risk Factors" for a discussion of risks and uncertainties relating to us, our subsidiaries, our business and an investment in the new notes. |

## SUMMARY COMBINED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present a summary of our combined consolidated financial and other information derived from (1) our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2020 (with the corresponding figures for the fiscal year ended March 31, 2019) and (2) our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2019 (with the corresponding figures for the fiscal year ended March 31, 2018).

You should read and analyze the information below in conjunction with our combined consolidated financial statements and related explanatory notes included elsewhere in this offering memorandum, as well as the sections "Presentation of Financial and Certain Other Information," "Selected Combined Consolidated Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

### Combined Consolidated Statements of Income Data

The following table sets forth certain data from our statements of income data for each of the periods presented:

| | For the Fiscal Year Ended March 31, | | | |
|---|---|---|---|---|
| | 2020(1) | 2020 | 2019 | 2018 |
| | (in U.S.$, except operating data) | (in R$, except operating data) (in millions, except as otherwise indicated) | | |
| **Combined Consolidated Statements of Income Data:** | | | | |
| Net operating revenue | 23,194.4 | 120,580.6 | 103,973.0 | 86,261.2 |
| Cost of products sold and services provided | (21,795.6) | (113,308.7) | (98,008.5) | (80,050.3) |
| **Gross income** | **1,398.8** | **7,271.9** | **5,964.5** | **6,210.9** |
| Operating revenue (expenses): | | | | |
| Selling | (594.4) | (3,090.2) | (2,526.6) | (2,139.2) |
| General and administrative | (237.8) | (1,236.5) | (1,152.1) | (1,095.2) |
| Other operating revenue, net | 413.0 | 2,147.3 | 1,252.0 | 622.1 |
| Equity accounting result | (3.0) | (15.8) | 31.0 | (21.4) |
| **Total net operating expenses** | **(422.2)** | **(2,195.2)** | **(2,395.7)** | **(2,633.8)** |
| Income before financial results and income tax and social contribution | 976.5 | 5,076.7 | 3,568.8 | 3,577.1 |
| Financial results: | | | | |
| Financial expenses | (379.6) | (1,973.6) | (1,470.9) | (904.4) |
| Financial revenues | 103.1 | 536.0 | 610.3 | 619.1 |
| Net exchange variation | (785.2) | (4,081.9) | (781.3) | (324.9) |
| Net effect of the derivatives | 751.0 | 3,904.4 | 850.3 | 187.1 |
| **Total financial results** | **(310.7)** | **(1,615.1)** | **(791.6)** | **(423.1)** |
| Income before income tax and social contribution | 665.9 | 3,461.6 | 2,777.2 | 3,154.0 |
| Income tax and social contribution: | | | | |
| Current | (258.9) | (1,345.8) | (548.2) | (963.0) |
| Deferred | 53.9 | 280.0 | 6.2 | 119.9 |
| **Total income tax and social contribution** | **(205.0)** | **(1,065.8)** | **(542.0)** | **(843.0)** |
| **Net income** | **460.9** | **2,395.6** | **2,235.2** | **2,310.9** |
| Attributable to: | | | | |
| Controlling shareholders | 433.3 | 2,252.5 | 2,176.4 | 2,249.8 |
| Non-controlling shareholders | 27.5 | 143.2 | 58.7 | 61.1 |
| | **460.9** | **2,395.6** | **2,235.2** | **2,310.9** |

| | For the Fiscal Year Ended March 31, | | | |
|---|---|---|---|---|
| | 2020(1) | 2020 | 2019 | 2018 |
| | (in U.S.$, except operating data) | (in R$, except operating data) (in millions, except as otherwise indicated) | | |
| **Combined Consolidated Other Financial Data:** | | | | |
| Depreciation and amortization | 760.2 | 3,951.9 | 2,452.7 | 2,742.3 |
| Adjusted EBITDA(2) | 1,315.6 | 6,839.6 | 6,112.7 | 7,107.6 |
| Net Debt(3) | 2,494.6 | 12,968.7 | 9,861.7 | 7,807.3 |
| Net Debt to EBITDA Ratio(4) | 189.6% | 189.6% | 161.3% | 109.8% |
| Working capital(5) | 569.9 | 2,962.9 | 4,715.4 | 6,531.8 |
| Net cash generated by (used in): | | | | |
| Operating activities | 1,498.3 | 7,789.4 | 6,386.7 | 6,389.0 |
| Investing activities | (976.8) | (5,078.1) | (3,614.1) | (3,954.0) |
| Financing activities | (174.5) | (907.5) | (881.0) | (2,006.5) |
| Dividends and interest on own capital | (507.4) | (2,637.8) | (2,274.4) | (3,092.9) |
| **Other Operating Data:** | | | | |
| Crushed sugarcane (in million tons) | | 59.6 | 59.7 | 61.2 |
| Sugar production (in thousand tons) | | 3,792 | 3,671 | 4,294 |
| Ethanol production (in billion liters) | | 2,498 | 2,515 | 2,206 |
| Cogeneration (GWh) | | 2,149 | 2,364 | 2,390 |
| Volume of fuel sold (in million liters) | | 4,983 | 2,719 | 81 |
| Volume of sugar sold (in thousand tons) | | 3,900 | 3,692 | 4,683 |
| Volume of ethanol sold (in million liters) | | 5,325 | 4,852 | 4,335 |
| Energy sold (thousand MWh) | | 26,878 | 16,692 | 3,928 |

(1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the U.S. dollar selling rate reported by the Central Bank as of March 31, 2020 of R$5.1987 per U.S.$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

(2) We define Adjusted EBITDA as EBITDA excluding biological assets variations, debt hedge accounting, sugar foreign exchange impacts, asset sales, IFRS 16 effects and certain non-recurring effects, including the sale of interest in subsidiaries. We define EBITDA as our combined consolidated net income plus combined consolidated financial results, combined consolidated income and social contributions taxes and combined consolidated depreciation and amortization included in any of the foregoing expenses. See "—Other Financial Data—Reconciliation of Net Income to EBITDA and Adjusted EBITDA" for a reconciliation of our combined consolidated net income to EBITDA. EBITDA is a non-GAAP measure. See "—Other Financial Data—Reconciliation of Net Income to EBITDA and Adjusted EBITDA" for a reconciliation of our combined consolidated net income to Adjusted EBITDA. Adjusted EBITDA is a non-GAAP measure.

(3) We define Net Debt as current and non-current loans and financing, net of cash and cash equivalents, securities, investments linked to financing, derivative assets or liabilities related to foreign exchange rate risk and interest rate risk and other financial assets (e.g., CTNs related to PESA). See "—Other Financial Data—Reconciliation of Total Indebtedness to Net Debt" for a reconciliation of Net Debt to our total indebtedness. Net Debt is a non-GAAP measure.

(4) Net Debt to EBITDA Ratio is the ratio of: (a) the aggregate amount of Net Debt as of the end of the period to (b) EBITDA for the relevant period. This ratio is presented for illustrative purposes only. Net Debt to EBITDA Ratio is a non-GAAP measure.

(5) Working capital consists of total current assets less total current liabilities.

**Combined Consolidated Statements of Financial Position Data**

The following table sets forth certain data from our combined consolidated statements of financial position data for each of the periods presented:

| | As of March 31, | | | |
|---|---|---|---|---|
| | 2020(1) | 2020 | 2019 | 2018 |
| | (in U.S.$) | (in R$) | | |
| | | (in millions) | | |
| **Balance Sheet Data:** | | | | |
| **Assets** | | | | |
| Current assets | 5,446.6 | 28,315.2 | 20,322.2 | 14,351.0 |
| Non-current assets | 7,171.8 | 37,284.4 | 26,238.7 | 20,279.9 |
| **Total assets** | **12,618.5** | **65,599.4** | **46,561.0** | **34,630.9** |
| **Liabilities** | | | | |
| Current liabilities | 4,876.7 | 25,352.2 | 15,606.7 | 7,819.2 |
| Non-current liabilities | 5,485.4 | 28,517.3 | 19,562.2 | 14,978.6 |
| **Total liabilities** | **10,362.1** | **53,869.3** | **35,168.9** | **22,797.8** |
| **Equity** | | | | |
| Attributed to controlling shareholders | 2,186.0 | 11,364.4 | 11,115.9 | 11,607.4 |
| Interest of non-controlling shareholders | 70.3 | 365.7 | 276.1 | 225.7 |
| **Total equity** | **2,256.3** | **11,730.1** | **11,392.0** | **11,833.1** |
| **Total liabilities and equity** | **12,618.5** | **65,599.4** | **46,561.0** | **34,630.9** |

(1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the U.S. dollar selling rate reported by the Central Bank as of March 31, 2020 of R$5.1987 per U.S.$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

**Other Financial Data**

***Reconciliation of Net Income to EBITDA and Adjusted EBITDA***

The following table below sets forth a reconciliation of our combined consolidated net income to EBITDA and Adjusted EBITDA for each of the periods indicated:

| | For the Fiscal Year Ended March 31, | | | |
|---|---|---|---|---|
| | 2020(1) | 2020 | 2019 | 2018 |
| | (in U.S.$) | (in R$) | | |
| | (in millions, except as otherwise indicated) | | | |
| Net income | 460.8 | 2,395.7 | 2,235.1 | 2,311.0 |
| (+) Financial results | 310.7 | 1,615.2 | 791.6 | 423.2 |
| (+) Income tax and social contribution | 205.0 | 1,065.8 | 542.0 | 843.0 |
| (+) Depreciation and amortization | 760.2 | 3,951.9 | 2,452.7 | 2,742.3 |
| **EBITDA(2)** | **1,736.7** | **9,028.6** | **6,021.4** | **6,319.5** |
| (+) Biological Assets Effect | (2.5) | (12.9) | 261.2 | 367.4 |
| (+) Hedge account effects - Debt | — | — | — | 90.4 |
| (+) Sugar Foreign Exchange Effects | — | — | (36.4) | 640.1 |
| (+) Assets Sales | (221.2) | (1,149.9) | (123.6) | (99.9) |
| (+) IFRS 16 Effects | (231.5) | (1,203.6) | — | — |
| (+) Others | 34.1 | 177.4 | (10.0) | (209.9) |
| **Adjusted EBITDA(3)** | **1,315.6** | **6,839.6** | **6,112.7** | **7,107.6** |

(1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the U.S. dollar selling rate reported by the Central Bank as of March 31, 2020 of R$5.1987 per U.S.$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

(2) We define EBITDA as our combined consolidated net income plus combined consolidated financial results, combined consolidated income and social contributions taxes and combined consolidated depreciation and amortization included in any of the foregoing expenses. EBITDA is a non-GAAP measure.

(3) We define Adjusted EBITDA as EBITDA excluding biological assets variations, debt hedge accounting, sugar foreign exchange impacts, asset sales, IFRS 16 effects and certain non-recurring effects, including the sale of interest in subsidiaries. Adjusted EBITDA is a non-GAAP measure.

***Reconciliation of total indebtedness to Net Debt***

The table below provides a reconciliation of our total indebtedness to Net Debt as of the dates indicated:

| | As of March 31, | | | |
|---|---|---|---|---|
| | **2020(1)** | **2020** | **2019** | **2018** |
| | **(in U.S.$)** | **(in R$)** | | |
| | | **(in millions)** | | |
| Current loans and financing | 1,026.0 | 5,334.1 | 1,922.7 | 1,532.0 |
| Non-current loans and financing | 3,845.8 | 19,993.3 | 15,341.6 | 11,986.3 |
| Cash and cash equivalents | (1,654.6) | (8,601.7) | (5,740.0) | (3,663.2) |
| Securities | (7.5) | (39.1) | (268.4) | (1,078.9) |
| Financial investments linked to financing | (9.7) | (50.5) | (57.8) | (67.8) |
| National Treasury Certificates – CTN (CTN related to PESA) | (57.2) | (297.5) | (521.9) | (827.0) |
| Derivatives financial instruments, net | (648.2) | (3,369.9) | (814.3) | (74.2) |
| **Net Debt(2)** | **2,494.6** | **12,968.7** | **9,861.9** | **7,807.2** |

(1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the U.S. dollar selling rate reported by the Central Bank as of March 31, 2020 of R$5.1987 per U.S.$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

(2) We define Net Debt as current and non-current loans and financing, net of cash and cash equivalents, securities, investments linked to financing, derivative assets or liabilities related to foreign exchange rate risk and interest rate risk and other financial assets (e.g., CTNs related to PESA). Net Debt is a non-GAAP measure.

## RISK FACTORS

*An investment in our notes involves a high degree of risk. You should carefully consider the risks and uncertainties described below and the other information contained in this offering memorandum before making any investment in our notes. The risks described below are not the only ones we face or to which investments in Brazil are subject. Our business, financial position and/or results of operations may be adversely and materially affected by any of these risks. Additional risks that are not currently known to us, or which we currently consider to be immaterial, may also affect our business. This offering memorandum also contains estimates and other disclosures that involve risks and uncertainties. Our results may differ significantly from those previously projected as a result of certain factors, including the risks faced by us, as described below and in other sections of this offering memorandum.*

### Risks Related to Our Business and Industries in which We Operate

***Our business, operations and results may be adversely impacted by COVID-19.***

The COVID-19 pandemic and governmental responses thereto have had, and will likely continue to have, a severe impact on global and Brazilian macro-economic and financial conditions, including the disruption of supply chains and the closures of many businesses, leading to losses of revenues, increased unemployment and economic stagnation and contraction.

The COVID-19 pandemic and associated impacts on economic activity had an adverse effect on our results of operations and financial condition since social distancing (staying home, avoiding going out on the streets, avoiding crowds, avoiding physical contact with other people, etc.) and related measures were implemented in March 2020 in Latin America. There as a decline in demand as large sectors of the economy began to shut down, along with a decline in ethanol and oil prices. We anticipate that our results of operations and financial condition will be more impacted in the second quarter of 2020 and in subsequent periods, as our business activity levels have historically been positively correlated to economic activity levels, including measures such as gross domestic product.

Measures taken by governmental authorities worldwide, including Brazil, to stabilize markets and support economic growth may not be sufficient to control high volatility or to prevent serious and prolonged reductions in economic activity. In addition, the social distancing measures imposed by governmental authorities to contain the COVID-19 pandemic has resulted in a sharp drop or even a halt in the activities of companies in various sectors. At this moment, there is no way to predict when how long these measures will remain in force. These policies and measures have influenced the behavior of the consumer market and the population in general, the demand for services, products and credit.

Despite the measures adopted to contain the spread of COVID-19 and aid measures announced by governments around the world, including Brazil and countries in which we operate and/or sell our products, as of the date of this offering memorandum, we cannot predict the extent, duration and impacts of such measures. The long-term effects of the COVID-19 are difficult to assess or predict. They may include risks to citizens' health and safety, as well as reduced economic activity, which in turn could result in decreased revenue for the government and increased expenditures, among other relevant impacts. In addition to measures taken by Brazilian federal, state and local governments, Brazil may be affected by the impact of the disease elsewhere in the region and by measures taken by other countries or organizations, such as orders that suspend travel or that limit trade. Any prolonged restrictive measures put in place in order to control the COVID-19 outbreak in Brazil may have a longer lasting material and adverse effect on the economy. The long-term impact of the governmental measures on our economy, and the effectiveness of these measures, cannot be assured.

Accordingly, we cannot predict the entirety of direct and indirect effects of the COVID-19 pandemic and governments' responses to it on our business, results of operations and financial condition, including: (1) on our overall economic outlook, capital, investments and financial resources or liquidity position; (2) how future operations could be impacted; (3) the impact on our costs or access to capital and funding resources; (4) if we could incur any material COVID-19-related contingencies; (5) how COVID-19 could affect our assets and our ability to timely record those assets; (6) the anticipation of any material impairments, increases in allowances for credit losses, restructuring charges or other expenses; (7) any changes in accounting judgements that have had or are reasonably likely to have a material impact on our financial statements; (8) the total amount of the decline in demand for goods and services (such as reduced demand for ethanol, other fuels and natural gas as a result of reduced economic

activity), as well as drops in the respective prices, and disruptions in sales channels, particularly those impacted by social isolation measures; (9) on our supply chain; (10) on the relationship between costs and revenues; (11) general economic and social uncertainty, including increases in interest rates, variations in foreign exchange rates, inflation (including potential deflation) and unemployment; and (12) other unforeseen impacts and consequences.

The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on our clients, suppliers and employees, all of which are uncertain and cannot be predicted. COVID-19 also poses risks that our employees, contractors, suppliers, customers and other business partners may be prevented from conducting business activities for an indefinite period of time, including shutdowns that may be requested or mandated by governmental authorities and could have a material adverse effect on our results of operations, financial condition and liquidity.

In addition, to the extent the COVID-19 pandemic adversely affects our business, results of operations, financial condition and liquidity, it may also have the effect of heightening many of the other risks to which we are exposed, such as those relating to our high level of indebtedness, our need to generate sufficient cash flows to service our indebtedness.

The final impact of the COVID-19 pandemic is still uncertain, but it is expected to have a significant adverse effect on the Brazilian and world economy. If the pandemic or the resulting economic downturn continues to worsen, we could experience loss of clients and higher levels of impairment of our financial and non-financial assets, which could have a material adverse effect on our balance sheet, results of operations and cash flows.

See also “Summary—Recent Developments—COVID-19 Pandemic.”

***We are exposed to the possibility of losses related to natural disasters, catastrophes, accidents, fire and other events not in our control, which may have a material adverse effect on our financial performance.***

Our operations are subject to certain risks regarding catastrophic events that affect our properties, facilities, rail banks and inventory, including, among others, fire, which may destroy machinery, equipment and facilities. Fires, explosions, fuel leaks and other flammable products as well as other environmental events, accidents, business interruptions due to political events as well as labor claims, demonstrations by social and/or environmental groups or associations, strikes (of our own employees or of those linked to entities with which we have a relationship), disease outbreaks, such as COVID-19, adverse weather conditions and natural disasters, such as floods, may result in the loss of revenues, assumption of liabilities or cost increases. We are also subject to stoppages and blockades of highways and other public roads, such as the truckers’ strike in May 2018, when Brazilian truck drivers started a national strike for a reduction of taxes levied on diesel and changes in the fuel price policy in Brazil. Stoppages and blockages of highways and other public roads may adversely affect our business and results. Moreover, our operations may be periodically affected by crop shortfalls, landslides and other natural disasters.

Because our insurance does not cover all potential risks and losses we may incur, the occurrence of a natural disaster of large proportions, catastrophes, cyberattacks, pandemics, mechanical failures, loss of assets or any other of the events referred to above, and any resulting damage to our business, may have a material adverse effect on our business, operating results and financial condition, including as a result of civil, administrative and/or criminal sanctions relating to environmental liability (including civil, administrative and/or criminal sanctions of such nature imposed on our management).

***We operate in industries in which the supply, demand and the market price for our products are cyclical and are affected by a number of factors and conditions in Brazil and globally.***

The ethanol and sugar industries, globally and in Brazil, have historically been cyclical and sensitive to domestic and international changes in supply and demand. Our sugar production depends on the volume and sucrose content of the sugarcane that we cultivate or is provided to us by farmers located near our plants. Crop yields and sucrose content of the sugarcane mainly depend on weather conditions, such as rainfall and temperature, which may vary and may be influenced by global climate change.

Our sugar production depends on the volume and sucrose content of the sugarcane that we cultivate or that is supplied to us by growers located in the vicinity of our mills. Weather conditions have caused volatility in the ethanol and sugar sectors and, consequently, in our operational results by causing crop failures or reduced harvests. Floods, droughts and frosts, which can be influenced by global climate change, may affect the supply and prices of

the agricultural commodities we sell and use in our business. Future climate conditions may reduce the quantity of sugar and sugarcane obtained in a given crop or the sucrose content of the sugarcane. In addition, our production of sugar and ethanol is contingent on our ability to incur capital expenditures to renew sugarcane crops.

Historically, the international sugar market has experienced periods of limited supply, causing sugar prices and industry profit margins to increase, followed by an expansion in the industry that results in oversupply, causing declines in sugar prices and industry profit margins. In addition, fluctuations in prices for ethanol or sugar may occur, for various other reasons, including factors beyond our control, such as:

- reduced demand for motor vehicles powered by internal combustion engines (including, without limitation, as a result of increased demand for electric vehicles);
- fluctuations in gasoline prices (including as a result of global oil prices);
- fluctuations in competitors' production capacities; and
- the availability of substitute goods for the ethanol and sugar products produced.

The prices that may be obtained for sugar depend, in large part, on prevailing market conditions. These market conditions, both in Brazil and internationally, are beyond our control. The wholesale price of sugar has a significant impact on our profits. Like other agricultural commodities, sugar is subject to price fluctuations resulting from weather, natural disasters, harvest levels, agricultural investments, government policies and programs for the agricultural sector, domestic and foreign trade policies, shifts in supply and demand, increasing purchasing power, global production of similar or competing products, and other factors beyond our control. In addition, a significant portion of the total worldwide sugar production is traded on exchanges and thus is subject to speculation, which could affect the price of sugar and our results of operations.

The price of sugar, in particular, is also affected by producers' compliance with sugar export requirements and the resulting effects on domestic supply. As a consequence, sugar prices have been subject to high historical volatility. Competition from alternative sweeteners, including saccharine and high fructose corn syrup changes in Brazilian or international agricultural or trade policies or developments relating to international trade, including those under the World Trade Organization, are factors that can directly or indirectly result in lower domestic or global sugar prices. Any prolonged or significant decrease in sugar prices could have a material adverse effect on our business and financial performance.

Ethanol is marketed as a fuel additive to reduce vehicle emissions from gasoline, as an enhancer to improve the octane rating of gasoline with which it is blended or as a substitute fuel for gasoline. As a result, ethanol prices are influenced by the supply of and demand for gasoline, and our business and financial performance may be materially adversely affected by fluctuations in the demand for and/or price of gasoline. The increase in the production and sale of flex fuel vehicles (hybrid vehicles, that run with ethanol or gasoline or both combined in any proportion) has resulted, in part, from lower taxation, since 2002, of such vehicles compared to gasoline only cars. This favorable tax treatment may be eliminated and the production of flex fuel vehicles may decrease, which could adversely affect demand for ethanol.

If we are unable to maintain sales at generally prevailing market prices for sugar and ethanol in Brazil and internationally, or if we are unable to export sufficient quantities of ethanol and sugar to assure an appropriate domestic market balance, our ethanol and sugar business as well as our cash flow may be adversely affected.

***Adverse weather conditions may reduce the volume and sucrose content of sugarcane that we can cultivate and purchase in a given harvest.***

Our sugar production depends on the volume and sucrose content of the sugarcane that we cultivate or that is supplied to us by growers located in the vicinity of our mills. Crop yields and sucrose content depend primarily on weather conditions such as rainfall and temperature, which vary and may be influenced by global climate change. Weather conditions have historically caused volatility in the ethanol and sugar industries and, consequently, in our results of operations, by causing crop failures or reduced harvests. Flood, drought or frost, which may be influenced by global climate change, may materially adversely affect the supply and pricing of the agricultural commodities that we sell and use in our business. Future weather patterns may reduce the amount of sugar or sugarcane that we can recover in a given harvest or its sucrose content.

***Ethanol prices are directly influenced by sugar and gasoline prices, so that a decline in those prices will adversely affect both our ethanol and sugar businesses.***

The price of ethanol generally is closely associated with the sugar and gasoline prices in international and local markets. A vast majority of ethanol in Brazil is produced at sugarcane mills that produce both ethanol and sugar. Because sugarcane millers are able to alter their product mix in response to the relative prices of ethanol and sugar, this results in the prices of both products being directly correlated, and the correlation between them may increase over time. In addition, sugar prices in Brazil are determined by prices in the world market, so that there is a correlation between Brazilian ethanol prices and world sugar prices.

Because flex fuel vehicles allow consumers to choose between gasoline and ethanol at the pump rather than at the showroom, ethanol prices are correlated to gasoline prices as well and, consequently, international oil prices. We believe the correlation among the three products will increase over time. Accordingly, a decline in sugar prices will have an adverse effect on the financial performance of our ethanol and sugar businesses, and a decline in oil prices may have an adverse effect on that of our ethanol business, including on its cash flows.

***We may not successfully acquire or develop additional production capacity through greenfield projects or expansion of existing facilities.***

We may explore growth opportunities in the future through the acquisition or development of greenfield projects or through the expansion of our existing facilities. We may be unable to complete these projects on a timely basis or at all, and may not realize the related benefits we anticipate. The factors which may prevent us from doing so include, among other things: (1) our failure to obtain environmental permits, authorizations and other licenses; (2) our inability to obtain supplies of appropriate equipment or raw materials; (3) increases in costs and/or decreases in revenue; (4) lack of qualified workforce; (5) lack of service providers; and (6) our inability to obtain any required financing on satisfactory terms, or at all, whether in the local or international markets.

Our greenfield projects and/or expansion of existing facilities require a significant number of service providers. Any inability on our part to enter into contracts with duly qualified service providers who are able to provide the technical services that we require may prevent us from completing our greenfield projects and/or expansions of existing facilities on a timely basis or at all. In addition, the integration of greenfield projects or expansion of our existing facilities may result in unforeseen operating difficulties and may require significant financial and managerial resources that would otherwise be used for our current operations. Planned or future greenfield projects or expansions of existing facilities may not enhance our financial performance. Any failure in the implementation of growth projects and/or expansion of existing facilities may have a material adverse effect on our business, financial condition and results of operations.

***We may not successfully implement our plans to sell energy from our bioenergy projects, and the Brazilian government's regulation of the energy sector may adversely affect our business and financial performance.***

Our current total installed bioenergy capacity is approximately 1 GW, which is used to generate energy for our own industrial operations and to sell surplus energy to the Brazilian energy grid. The Brazilian government regulates the energy sector extensively. We may not be able to satisfy all the requirements necessary to enter into new contracts or to otherwise comply with Brazilian energy regulation. Changes to the current energy regulation or federal authorization programs, and the creation for more stringent criteria for qualification in future public energy auctions, in addition to lower prices, may adversely affect our results of operations from our bioenergy business.

Any failure in the implementation of these plans may have a material adverse effect on our business, financial condition and results of operations.

***We are subject to the application of regulatory penalties in the event of non-compliance with the terms and conditions of their respective authorizations, including the possible revocation of such authorizations.***

Raízen Combustíveis conducts its fuel distribution activities in accordance with the rules and regulations applicable to the oil and gas sector in Brazil as well as with the terms of the licenses and permits granted to it by the Brazilian government acting through the ANP. Failure to comply with the applicable rules and regulations or with the terms of the relevant licenses and permits may result in fines and other penalties (including confiscation or destruction of products, cancellation of product registrations, bans on certain facilities, and revocation of existing licenses and permits, among others). The applicable fines vary between R$5 thousand and R$5 million, depending

on the severity of the infraction, the benefit obtained, the economic condition of the company and its record of breaches.

Additionally, Raízen Energia performs generation activities in accordance with the regulation applicable to the energy sector and with the terms and conditions of authorizations granted by the Brazilian government through ANEEL. The duration of such authorizations varies from 20 to 35 years.

ANEEL may apply regulatory penalties to Raízen Energia in the event of non-compliance with the authorizations or with the regulations applicable to the energy sector. Such penalties may include, depending on the seriousness of the infraction, warnings, fines (in some cases up to 2% of our revenues for the last 12 months which could be accumulated with penalties equivalent to up to 10% of the declared investment value for the project), restrictions on Raízen Energia's operations, temporary suspension from participating in public bidding procedures to obtain new permissions, authorizations and concessions, prohibition from contracting with ANEEL, and revocation of its authorizations. Depending on the breach or violation, penalties can be even more severe and be extended also to Raízen Energia's corporate group or controlling shareholders.

Raízen Combustíveis is subject to ANTAQ regulation in connection with the performance of lease contract of public port terminal and an adherence contract related to private use terminals, or TUPs. If Raízen Combustíveis does not comply with ANTAQ regulation or provisions of the contracts, it might be subject to the following sanctions, to be imposed according to the severity of the penalty: warnings, fines (in some cases up to R$ 1 million), early termination of lease contract, temporary suspension from participating in public bidding procedures and/or prohibition from contracting with public administration.

Raízen Energia and Raízen Combustíveis cannot assure that they will not be penalized by ANEEL or ANP, as applicable, nor can they assure you that they will comply with all terms and conditions of their authorizations and with the regulation applicable to their respective businesses, which may materially adversely affect our business, results of operations and financial condition.

***We may engage in hedging transactions, which involve risks that can harm our financial performance.***

We are exposed to market risks arising from the conduct of our business activities—in particular, market risks arising from changes in commodity prices, exchange rates or interest rates. In an attempt to minimize the effects of the volatility of commodity prices and exchange rates on our cash flows and results of operations, we engage in hedging transactions involving commodities and exchange rate futures, options, forwards and swaps. We also engage in interest rate-related hedging transactions from time to time. Hedging transactions expose us to the risk of financial loss in situations where the counterparty to the hedging contract defaults on its contract or there is a change in the expected differential between the underlying price in the hedging agreement and the actual price of commodities or exchange rate. We may incur significant hedging-related losses in the future. We hedge against market price fluctuations by fixing the prices of the products and exchange rates. Since we record derivatives at fair value, to the extent that the underlying assets (such as the inventory or the highly likely future transaction) are not measured at fair value, the market prices of our products exceed the fixed price under our hedging policy, our results will be lower than they would have been if we had not engaged in such transactions as a result of the related non-cash derivative expenses. As a result, our financial performance would be adversely affected during periods in which commodities prices increase. Alternatively, we may choose not to engage in hedging transactions in the future, which could materially adversely affect our financial performance during periods in which commodities prices decrease.

***Raízen Energia and Raízen Combustíveis face significant competition, which may materially adversely affect our market share and profitability.***

The ethanol and sugar industries are highly competitive. Internationally, we compete with global ethanol and sugar producers. Some of our competitors are divisions of larger enterprises and might have greater financial resources than us. In Brazil, we compete with numerous small to medium-size producers. Despite increased consolidation, the Brazilian ethanol and sugar industries remain highly fragmented. Our major competitors include independent ethanol and sugar producers in Brazil.

We also face strong competition from international producers, particularly in highly regulated and protected markets, such as the United States and the European Union. With regards to sugar exports, we face intense competition from producers all around the world, including India, Thailand, and the European Union, among others.

There are global producers of sugar whose costs are lower than those of Brazilian producers, including us, and whose production capacity and prices could lead to a decrease in prices on the global sugar market. Furthermore, we face very strong competition internationally with regards to ethanol, especially the United States. Ethanol production in the United States is based on corn-derived ethanol and is undertaken on a greater scale than Brazilian ethanol production. Accordingly, a reduction in corn prices may lead to material reductions in the price of ethanol produced in the United States and result in increased competition in the Brazilian market.

Historically, imports of sugar have not provided substantial competition for us in Brazil due to, among other factors, the production and logistical cost-competitiveness of sugar produced in Brazil. If the Brazilian government were to create incentives for sugar imports, we could face increased competition in the Brazilian market by foreign producers. Many factors influence our competitive position, including the availability, quality and cost of fertilizer, energy, water, chemical products and labor. Some of our international competitors might have greater financial and marketing resources, larger customer bases and broader product ranges than we do. If we are unable to remain competitive with these producers in the future, our market share may be adversely affected.

The fuel distribution markets in Brazil and Argentina are highly competitive within both the wholesale and retail segments. Our main competitors are fuel distributors that import certain products into Brazil or Argentina, as applicable and/or, in certain cases in the Brazilian market, adopt anticompetitive practices. See "Risk Factors—Risks Related to Our Business and Industries in which We Operate—Anticompetitive practices in the fuel distribution market may distort market prices." We compete with several small domestic fuel distributors as well as the large domestic players. Such large players may be more flexible in responding to volatile industry or market conditions, such as shortages of crude oil and other feedstock or intense price fluctuations. Furthermore, we compete with producers and marketers in other industries that supply alternative forms of energy and fuel to satisfy the requirements of our industrial, commercial and retail consumers.

Certain measures currently being taken by participants in the fuel distribution market, including the expansion of their distribution networks, as well as the arrival of new participants, may result in an increase in fuel supply and a consequent decrease in fuel prices, which may have an adverse effect on our business, financial condition and results of operations.

The intense competition, particularly in the Brazilian and Argentina market, and the actions of our competitors could lead to lower prices or reduced margins for the products we sell, as well as reductions in our sales volumes, which could have a material and adverse effect on our business, results of operations and our financial performance.

***A reduction in market demand for ethanol or a change in governmental policies requiring ethanol be added to gasoline may materially adversely affect our business.***

We produce and sell three main types of ethanol: hydrous ethanol, anhydrous ethanol for fuel and industrial ethanol. The primary type of ethanol consumed in Brazil is hydrous ethanol, which is used as an alternative to gasoline for flex fuel vehicles (as opposed to anhydrous ethanol which is used as an additive to gasoline).

Governmental authorities of several countries, including Brazil and the United States, currently require the use of a certain percentage of anhydrous ethanol in gasoline. Law 8,723 dated October 28, 1993 (as amended) provides that the executive branch may determine the percentage of anhydrous ethanol in the gasoline. The Brazilian Sugar and Alcohol Inter-ministerial Council (*Conselho Interministerial do Açúcar e Álcool*), or CIMA, has set the recommendation and the Ministry of Agriculture, Livestock and Supply (*Ministério da Agricultura, Pecuária e Abastecimento*), or MAPA, provides for the percentage of anhydrous ethanol that must be used as an additive to gasoline. According to CIMA Resolution No. 1 dated March 4, 2015 and MAPA Normative Instruction (*Portaria*) 75 dated March 5, 2015, the current anhydrous ethanol percentage for regular gasoline is 27% and for additive/premium gasoline is 25%. Approximately one-half of all fuel ethanol in Brazil is used to fuel automobiles that run on a blend of anhydrous ethanol and gasoline; the remainder is used in either flex fuel vehicles or vehicles powered by hydrous ethanol alone. Other countries have similar governmental policies requiring various blends of anhydrous ethanol and gasoline. In addition, flex fuel vehicles in Brazil are currently taxed at lower levels than gasoline-only vehicles, which has contributed to the increase in the production and sale of flex fuel vehicles. Any reduction in the percentage of ethanol required to be added to gasoline or increase in the levels at which flex fuel vehicles are taxed in Brazil, as well as growth in the demand for natural gas and other fuels as an alternative to ethanol, lower gasoline prices or an increase in gasoline consumption (versus ethanol), may cause demand for ethanol to decline and affect our business. In addition, ethanol prices are influenced by the supply and demand for

gasoline; therefore, a reduction in oil prices resulting in a decrease in gasoline prices and an increase in gasoline consumption (versus ethanol), may have a material adverse effect on our business, results of operations and financial condition.

***Government policies and regulations affecting the agricultural and fuel sectors and related industries could materially adversely affect our operations and profitability.***

Agricultural production and trade flows are significantly affected by Brazilian federal, state and municipal, as well as foreign, government policies and regulations. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies and import and export restrictions on agricultural commodities and commodity products, may influence industry profitability, the planting of certain crops versus others, the uses of agricultural resources, the location and size of crop production, the trading levels for unprocessed versus processed commodities, and the volume and types of imports and exports.

Future government policies in Brazil and elsewhere may adversely affect the supply, and demand for, and prices of, our products or restrict our ability to do business in our existing and target markets, which could adversely affect our financial performance.

In addition, petroleum and petroleum products have historically been subject to price controls. Currently there is no legislation or regulation in force giving the Brazilian government the power to set prices for petroleum, petroleum products, ethanol or vehicular natural gas. However, given that Petrobras, the only supplier of oil-based fuels in Brazil, is a government-controlled company, prices of petroleum and petroleum products are subject to government influence, resulting in potential inconsistencies between international prices and internal oil derivative prices that affect our business and our financial results, which are not linked to international prices.

***Government laws and regulations governing the burning of sugarcane could have a material adverse impact on our business or financial performance.***

The state of São Paulo and some local governments have established laws and regulations that limit our ability to burn sugarcane or that reduce and/or entirely prohibit the burning of sugarcane. The costs to comply with existing or new laws or regulations are likely to increase the cost of production, and, as a result, our ability to operate our own mills and harvest our sugarcane crops may be materially adversely affected.

In addition to restrictions that limit sugarcane burning and other environmental restrictions, we are required to preserve a percentage of our rural properties (sugarcane fields and other facilities), in order to contribute to a biodiversity preservation and ecological rehabilitation known as the “Legal Reserve.” For rural areas located in the state of São Paulo, 20% of the property must be preserved to comply with the Brazilian Forest Code obligations.

Any failure to comply with these laws and regulations may subject us to legal and administrative actions. These actions can result in administrative or criminal penalties, including, but not limited to, suspension, shutdowns, a requirement to pay fines, which may range from R$50 to R$50 million and can be doubled or tripled in case of recurrence, an obligation to make capital and other expenditures or an obligation to materially change or cease some operations. In addition, we may be subject to civil liabilities in case of environmental damage, which include the obligation to redress any damages caused to the environment and/or public health. The demonstration of the cause-effect relationship between the damage caused and action or omission is sufficient to trigger the obligation to redress environmental damage.

***Our business is subject to seasonal trends based on the sugarcane growing cycle in the Central-South region of Brazil.***

Raízen Energia’s business is subject to seasonality according to the sugarcane growth cycle in the Central-South region of Brazil. The annual sugarcane harvesting period in the Central-South region of Brazil begins in April and ends in December. This creates fluctuations in Raízen Energia’s inventory and in its ability to generate energy, both of which usually peak in December, to cover sales between crop harvests (primarily from January to March), and a degree of seasonality in Raízen Energia’s operating cash flow. Rural producers of sugar and ethanol with whom we maintain a commercial relationship may experience a similar degree of seasonality, which may impact the supply of ethanol and/or other products necessary for our activities.

In addition, Raízen Energia's and Raízen Combustíveis' businesses are (indirectly in the case of the latter) subject to seasonality as a result of the sugarcane growth cycle in the Central-South region of Brazil. The annual sugarcane harvesting period in the Central-South region of Brazil begins in April/May and ends in November/December. This creates fluctuations in our inventory, usually peaking in November to cover sales between crop harvests (i.e., December through April), and a degree of seasonality in our cash flow.

Seasonality and any reduction in the volumes of sugar recovered could have a material adverse effect on our business, results of operations and financial condition.

***We may be adversely affected by a shortage of sugarcane or by high sugarcane costs and the consequent lack of sugar cane may materially impact our ability to produce and distribute ethanol and sugar.***

Sugarcane is the principal raw material we use for the production of ethanol and sugar. As of March 31, 2020, sugarcane purchased from suppliers accounted for 52.1% of Raízen Energia's total crushed sugarcane. Raízen generally enters into medium- and long-term supply contracts for periods varying from three and one-half to seven years. As of March 31, 2020, Raízen also leased approximately 436 thousand hectares to produce its own sugarcane in contracts with an average term of 12 years.

Our supply of sugarcane in Brazil may be significantly reduced as a result of the termination of supply contracts or lease agreements, which may result in a shortage of sugarcane supply and an increase in the price of sugarcane. If there is a shortage of sugarcane or any supply contracts or lease agreements are terminated, Raízen Energia may experience a material reduction in the sugarcane available for processing or an increase in sugarcane prices, which may materially adversely affect our business, results of operation and financial condition.

In Brazil, the price of sugarcane may increase as a result of changes in the criteria established by Consecana, which is composed of sugarcane producers and sugar mill operators. The price of sugarcane is set in supply agreements, lease agreements and partnership agreements and is partially fixed and partially variable, as provided for in the criteria set forth by Consecana. As a result, any changes to the criteria established by Consecana may lead to an increase in the cost of sugarcane, which may have a material adverse effect on our business, financial condition and results of operations.

In addition, in certain cases, as a result of the price-setting formulas in the contracts which we have entered into with our customers, we may not be able to pass on the full amount of these cost increases to our customers. This may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, the availability of sugarcane may be affected by various environmental and climate-related factors, including water scarcity, excessive or insufficient rainfall and other weather patterns.

***Water scarcity may adversely affect us.***

We may be adversely affected by water scarcity (e.g. as a result of insufficient rainfall) in the regions in which we operate. Water scarcity may adversely affect the production of sugarcane, ethanol and our energy cogeneration activities given that water is used in growing sugarcane and that we use water from adjacent rivers in our production process.

***We may be subject to expropriation of real estate intended for rural production.***

The real estate used by us, or by third parties with whom we maintain a partnership or lease relationship, for the cultivation of sugarcane may be unilaterally expropriated by the Brazilian government for purposes of public and social interest, and we cannot assure you that the payment of the indemnification that they may have to pay to us will be fair. Pursuant to Brazilian law, the Brazilian government may expropriate the real estate of rural producers where the sugarcane is planted by necessity or public utility or social interest, partially or totally. In the event of expropriation, we cannot assure you that the price paid by the Brazilian government will be fair, equivalent to the market value, or that it will effectively and adequately compensate us for the amounts invested. Accordingly, the eventual expropriation of any real estate used by us, or by third parties with whom we maintain partnership or lease relationships, may adversely and significantly affect our financial situation and results, and may also impact our activities.

***Social movements may affect the use of our agricultural properties or cause damage to them.***

Social movements are active in Brazil and advocate land reform and property redistribution by the Brazilian government. Invasion and occupation of agricultural land by large numbers of people is a common practice among the members of such movements, and in certain regions, including those in which we own or lease property, remedies such as police protection or eviction procedures might be inadequate or non-existent. As a result, we cannot assure you that our agricultural properties will not be subject to invasion or occupation by any of such social movements. Any invasion or occupation may materially impair the use of our lands and materially adversely affect our business, financial condition, and results of operations.

***The use of alternatives to sugar and ethanol and technological advances may reduce demand for our products in Brazil and other countries or require us to make substantial investments in order to remain competitive.***

The development of alternative products to sugar and ethanol may reduce the demand for our products. Particularly, the use of alternative sweeteners has adversely affected the overall demand for sugar in Brazil and abroad. A substantial reduction in the demand for sugar and ethanol or increased consumption of alternative sweeteners or fuels may reduce the demand for sugar and ethanol we produce in Brazil and could have a material adverse effect on our business, results of operations and financial condition.

Any other alternative products or technological advances which reduce demand for our products may have a material adverse effect on our results of operations and financial condition.

***The sale of sugar and ethanol products is concentrated in a small number of customers who may be able to exercise significant bargaining power concerning pricing and other sale terms.***

A substantial portion of Raízen Energia's sugar and ethanol is sold to a small number of customers that acquire large portions of our production and thus may be able to exercise significant bargaining power concerning pricing and other sale terms. In addition, intense competition in the ethanol and sugar industries further increases the bargaining power of customers, which may have a material adverse effect on Raízen Energia's sales volumes.

***Raízen Energia's export sales are subject to a broad range of risks associated with international operations.***

In the fiscal year ended March 31, 2020, Raízen Energia's net operating revenue from exports represented 26% of Raízen Energia's total net operating revenue, while in the fiscal year ended March 31, 2019, the net operating revenue from exports represented 24% of Raízen Energia's total net operating revenue. Furthermore, in the fiscal year ended March 31, 2020, Raízen Energia's net operating revenue from sugar exports were R$3,104.5 million, representing 10% of its total net operating revenue for the period. In the fiscal year ended March 31, 2019, Raízen Energia's net operating revenue from sugar exports were R$2,602.3 million, representing 12% of Raízen Energia's total net operating revenue for the period. Further, in the fiscal year ended March 31, 2020, Raízen Energia's net operating revenue from exports of ethanol were R$4,806.9 million, representing 37% of Raízen Energia's total net operating revenue for that period and in the fiscal year ended March 31, 2019, Raízen Energia's net operating revenue from ethanol exports were R$2,742.0 million, representing 41% of Raízen Energia's total net operating revenue for that period.

Raízen Energia's exports of ethanol are subject to factors beyond our control which may affect the competitiveness of Brazilian ethanol in other markets, such as import regulations, tax legislation, incentives for local production and the establishment of distribution systems for hydrous ethanol in countries outside of Brazil. Our future financial performance will depend, to a significant extent, on economic, political and social conditions in our main export markets.

Most ethanol and/or sugar producing countries, including the United States and member countries of the European Union, protect local producers from foreign competition by establishing government policies and regulations that affect ethanol and sugar production, including quotas, import and export restrictions, subsidies, tariffs and duties. As a result of these policies, domestic ethanol and sugar prices vary greatly in individual countries. We have limited or no access to these large markets as a result of trade barriers. If these protectionist policies continue, we may not be able to expand our export activities at the rate we currently expect, or at all, which could materially adversely affect our business, results of operations and financial condition. Also, if new trade barriers are established in our key export markets, we may face difficulties in reallocating our products to other markets on favorable terms, and our business and financial performance may be adversely affected.

***Our international operations expose us to political and economic risks in other countries.***

Our international activities expose us to risks not faced by companies that operate solely in Brazil. Risks associated with our international operations include: (1) foreign exchange controls; (2) changes in the political or economic conditions in a specific country or region, especially in emerging markets such as Argentina; (3) potentially negative consequences resulting from changes to regulatory requirements; (4) difficulties and costs associated with our observance of different laws, treaties and complex international regulations; (5) tax rates that may exceed those applicable in Brazil or Argentina and other countries or gains that may be subject to withholding regimes and an increase in repatriation taxes; (6) imposition of trade barriers; and (7) limitations on the repatriation of undistributed profits. The realization of any of these risks may materially adversely affect our business, results of operations or financial condition.

***Fire and other disasters could affect our agricultural and manufacturing properties and our facilities and distribution networks, which would materially adversely affect our production and distribution volumes and, consequently, results of operations.***

Our operations are subject to risks affecting our agricultural properties and facilities and distribution networks, including fire potentially destroying some or all of our crop and facilities. In addition, our operations are subject to hazards associated with the manufacture of inflammable products and transportation of raw materials and inflammable products. Our insurance coverage may not be sufficient to provide full protection against these types of casualties.

***Crop disease and pestilence may strike our crops which may result in destruction of a significant portion of our harvest.***

Crop disease and pestilence can occur from time to time and have a devastating effect on our crops, potentially rendering useless or unusable all or a substantial portion of affected harvests. Even when only a portion of the crop is damaged, our business, results of operations and financial condition could be adversely affected because we may have incurred a substantial portion of the production cost for the related harvest. The cost of treatment of crop disease tends to be high. Any serious incidents of crop disease or pestilence, and related costs, may adversely affect our production levels and, as a result, our net operating revenue and overall financial performance.

***Anticompetitive practices in the fuel distribution market may distort market prices.***

In the last few years, anticompetitive practices have been one of the main problems affecting fuel distributors in Brazil. Generally these practices have involved a combination of tax evasion and fuel adulteration, such as the dilution of gasoline by mixing solvents or adding anhydrous ethanol in an amount greater than that permitted by applicable law (the overall taxation of anhydrous ethanol is lower than hydrated ethanol and gasoline).

Taxes constitute a significant portion of the cost of fuels sold in Brazil. For this reason, tax evasion by some fuel distributors has been prevalent, which allows them to lower the prices they charge. These practices have enabled certain distributors to supply large quantities of fuel products at prices lower than those offered by the major distributors, including us, which has resulted in a considerable increase in the sales volumes of the distributors who have adopted these practices. The final prices for fuels are calculated based on the taxes levied on their purchase and sale, among other factors. If such practices become more prevalent, it could lead to lower prices or reduced margins for the products we sell, which could have a material adverse effect on our business, results of operations or financial condition.

***In the event of an interruption of supply of fuels from the primary distributors in the markets in which we operate, significant disruption to our fuels sales may occur.***

Petrobras is the principal supplier of fuel in Brazil and the distribution policies it sets directly affect the Brazilian energy matrix. The same occurs in Argentina with YPF S.A., or YPF. Significant interruptions of oil-based fuel supply from Petrobras in Brazil or YPF in Argentina may occur in the future. Any interruption in the supply of oil-based fuels would immediately affect Raízen Combustíveis ability to provide oil-based fuels to its customers. If we are not able to obtain an adequate supply of oil-based fuels under acceptable terms, we may seek to meet our demands through oil-based fuels purchased on the international market. The logistics infrastructure for oil-based fuel imports in Brazil and Argentina is limited and is substantially all controlled by Petrobras or YPF, as applicable. Any

such interruption could increase our purchase costs and reduce our sales volume, consequently, adversely affecting our operating margins.

In addition, we may be adversely effected if Petrobras or YPF significantly modifies its business plan or reduces its activities related to the distribution of fuel in Brazil or Argentina, as applicable. In particular with respect to Brazil, the most recently published divestment plan of Petrobras suggests that Petrobras is scaling back its positions in logistics, which may result in disruption of logistics services and result in changes to distribution policies which may adversely affect the competitiveness of fuel distributors.

We may also experience interruptions of supply or changes in prices to the extent that refineries and other facilities currently owned by Petrobras, as transferred to third parties who may be unwilling or unable to supply us at the current rates. In addition, the entry of new participants in the markets in which we currently operate may also divert supplies from us and result in a shortage of supply to our business as well as pressures on prices.

***Our activities are inherently hazardous activities and involve high operational risk.***

We produce, store and transport fuel products which involves a variety of safety and other operating risks, including the manufacturing, handling, storage and transportation of flammable, explosive and toxic materials. These risks could result in personal injury and death, severe damage to or destruction of property, plant and equipment and environmental damages. A material accident at one of our facilities could force us to suspend our operations and result in significant remediation costs and lost revenue. In addition, insurance proceeds, if available, may not be received on a timely basis and may be insufficient to cover all losses, including lost profit. Equipment breakdowns, natural disasters, and delays in obtaining supplies or required replacement parts or equipment could also materially adversely affect our manufacturing operations and consequently our results of operations.

In addition, the costs associated with complying with current and future legislation relating to environmental protection, healthcare, safety, and the liabilities incurred in connection with the leakage of, or exposure to, noxious substances are substantial. Any increase in such costs could have a material adverse effect on our business, results of operations and financial condition.

Any soil or underground contamination may subject us to legal and administrative actions. These actions can result in administrative or criminal penalties, including, but not limited to, suspension, shutdowns, a requirement to pay fines, which may range from R$50 to R$50 million and can be doubled or tripled in case of recurrence, an obligation to make capital and other expenditures or an obligation to materially change or cease some operations. In addition, we may be subject to civil liabilities in case of environmental damage, which include the obligation to remediate the contaminated area and redress any damages caused to public health. The demonstration of the cause-effect relationship between the damage caused and action or omission is sufficient to trigger the obligation to redress environmental damage.

***The expansion of our business through acquisitions and strategic alliances creates risks that may reduce the benefits we anticipate from these transactions.***

We have grown substantially through acquisitions. We may continue to expand by acquiring or investing, directly or indirectly, from time to time, in businesses considered suitable by our management that are consistent with our values and that are expected to generate positive returns. We may also enter into strategic alliances to increase our competitiveness. However, our management is unable to predict whether or when any prospective acquisitions or strategic alliances will occur, or the likelihood of any particular transaction being completed on favorable terms and conditions. Our ability to continue to expand our business through acquisitions or alliances depends on many factors, including our ability to identify acquisitions or access capital markets on acceptable terms. Even if we are able to identify acquisition targets and obtain the necessary financing to make these acquisitions, we could financially overextend ourselves.

Acquisitions, especially involving sizeable enterprises, may present financial, managerial and operational challenges, including diversion of management attention from existing business and difficulties in integrating operations and personnel. Any failure by us to integrate new businesses or manage any new alliances successfully could adversely affect our business and financial performance. Some of our major competitors may be pursuing growth through acquisitions and alliances, which may reduce the likelihood that we will be successful in completing acquisitions and alliances. In addition, any major acquisition we consider may be subject to antitrust and other regulatory approvals. We may not be successful in obtaining required approvals on a timely basis or at all.

Acquisitions also pose the risk that we may be exposed to successor liability relating to prior actions involving an acquired company, or contingent liabilities incurred before the acquisition. Due diligence conducted in connection with an acquisition, and any contractual guarantees or indemnities that we receive from sellers of acquired companies, may not be sufficient to protect us from, or compensate us for, actual liabilities. A material liability associated with an acquisition, such as labor or environmental liability, could adversely affect our reputation and financial performance and reduce the benefits of the acquisition.

***We are subject to extensive environmental regulation.***

Our business activities in Brazil are subject to extensive federal, state and municipal laws and regulations concerning environmental protection, which impose on us various environmental obligations, such as obtaining environmental permits, complying with minimum standards for the discharge of effluents, management of solid waste, protection of certain areas (including Legal Reserve, indigenous areas, *quilombolas* community areas, conservation units, archeological sites and permanent preservation areas), and the need for special authorizations for the use of water, among others.

The failure to comply with such laws and regulations (including failure to obtain or maintain the required environmental permits) may subject the violator to administrative fines, mandatory interruption of activities and criminal sanctions, in addition to the obligation to repair and pay environmental and third-party damage compensation. In addition, Brazilian environmental law adopts a joint and several and strict liability system for environmental damages, which makes the polluter liable regardless of fault or intentional misconduct and would make us jointly and severally liable for the obligations of our producers or off-takers. If we become subject to environmental liabilities, any costs we may incur to rectify possible environmental damage would lead to a reduction in the financial resources which would otherwise remain at our disposal for current or future strategic investment, thus causing an adverse impact on us.

The occurrence of environmental damage may subject us to civil liability, leading to the need to make significant financial resources available for both containment and repair of these damages. In addition, the occurrence of such events may lead to a disruption in production due to intervention by government agencies. In either case, financial and image impacts may be significant. In addition, the creation of new regulations may lead to the need for greater expenses with environmental preservation.

Furthermore, extensive environmental regulation can also lead to delays in the implementation of new projects as bureaucratic procedures for obtaining environmental licenses in various government agencies may take considerable time.

***We incur substantial costs to comply with environmental and health regulations and may be exposed to liabilities in the event we fail to comply with these regulations or as a result of our handling of hazardous materials.***

We are subject to various Brazilian federal, state and municipal environmental protection and health and safety laws and regulations governing, among other matters:

- the issuance and renewal of valid environmental licenses and authorizations, as well as the compliance with their requirements;
- the use of water;
- the generation, storage, handling, use and transportation of hazardous materials;
- sugarcane burning;
- wildlife preservation;
- the protection of cultural and historic sites;
- the emission and discharge of hazardous materials into the ground, air or water; and
- the health and safety of our employees.

We are also required to obtain environmental and health permits and/or authorizations (such as installation and operating permits as well as permits for vegetation suppression) from governmental authorities for certain aspects of our operations. Failure to obtain environmental and/or health permits or comply with the conditions under which such permits are issued could subject us to criminal, administrative and/or civil liabilities. These laws, regulations and permits often require us to purchase and install expensive pollution control equipment or to make operational changes to limit actual or potential impacts on the environment and/or health of our employees. In addition, Brazilian environmental laws establish restrictions to obtain financing from public entities in case of breach of certain environmental protection obligations. Any violations of these laws and regulations or permit conditions can result in substantial fines, criminal sanctions, and revocations of operating permits and/or shutdowns of our facilities.

The judicial and administrative penalties, including criminal sanctions, are imposed in case of failure to comply with environmental laws. Furthermore, the obligation to repair environmental damage caused may be imposed upon all parties deemed to be involved in such damage, whether directly or indirectly and regardless of such parties' actual culpability. As a result, when we hire third parties to perform work for us, such as the disposal of waste or vegetation suppression, we are not exempt from liability for any environmental damage caused by these independent contractors. In addition, we can be held liable for any and all consequences arising from the exposure of people to harmful substances or other environmental damage. The costs of complying with current and future legislation related to environmental protection, health and safety, and the contingencies arising from environmental damage and from the imposition of fines and other penalties by environmental agencies and regulators as well as compensation sought by affected third parties may have a material adverse effect on our business, results of operations as well as on our financial condition.

We may be required to expend significant financial resources in order to remedy or contain environmental damage or failures to comply with certain environmental and social obligations. In addition, any such damage or non-compliance may result in interruptions to our operations pursuant to orders from governmental authorities or restrictions on obtaining financing from government-owned institutions. Any of these developments could have a significant financial impact on us. In addition, the enactment of new regulations may require us to expend significant resources in order to comply with our environmental obligations.

The extensive environmental regulation to which we are subject may also lead to delays in the implementation of new projects given the considerable administrative procedures, and time, that are required to obtain environmental licenses from governmental bodies.

Due to the possibility of changes to environmental and/or health regulations and other unanticipated developments, the amount and timing of future environmental and health expenditures may vary substantially from those currently anticipated. Under Brazilian environmental laws, we could be held strictly liable for all of the costs relating to any contamination at our or our predecessors' current and former facilities and at third-party waste disposal sites used by us or any of our predecessors. We could also be held responsible for any and all consequences arising out of human exposure to hazardous substances, such as pesticides, herbicides, soil or groundwater contamination or other kinds of environmental damage.

We are party to a number of administrative and judicial proceedings for alleged failures to comply with environmental and health laws, which may result in fines, shutdowns, or other adverse effects on our operations See "Business—Legal and Administrative Proceedings." Actions that give rise to administrative proceedings may also lead to civil or criminal claims against us. Our costs of complying with current and future environmental and health and safety laws, and our liabilities arising from past or future releases of, or exposure to, hazardous substances could adversely affect our business or financial performance.

***Failure to comply with, obtain or renew the licenses and permits required for our business may have a material adverse effect on us.***

Raízen Combustíveis is required to obtain specific licenses with respect to our terminals from the applicable environmental authorities, which are applied in particular to the emission, ejection and emanation of products and by-products resulting from distribution activities. Raízen Energia is required to obtain specific licenses and permits from governmental authorities for rural producers in order to carry out certain of our operations. The laws and regulations which govern these licenses may occasionally require us to purchase and install costly pollution-control equipment or to make operational changes to limit our impact on the environment and/or the health of our

employees. Any failure to comply with the terms of such laws, regulations and licenses and permits may result in significant financial penalties, criminal sanctions, revocation of operating licenses and permits and/or the prohibition of certain of our activities.

In addition, we are currently in the process of obtaining or renewing, as the case may be, certain licenses and permits (including real estate and environmental permits) required for the continuity of our activities. Our business, financial condition and results of operations may be materially and adversely affected if we are unable to obtain or renew all licenses and permits required for our business and operations.

***We are exposed to credit and other counterparty risks of our customers in the ordinary course of our business.***

We have several credit terms with various types of customers, including fuel distributors, wholesalers, retailers and trading companies. Our customers have varying degrees of creditworthiness and are subject to different rules and regulations. We are therefore exposed to the risk of nonpayment or other default under our contracts and other arrangements with them.

As part of our relationship with our customers, we set different credit conditions for each customer based on their perceived creditworthiness. Economic conditions may also affect our customers' ability to meet their obligations to us. In addition, we are also exposed to other types of counterparty risk, including reputational risk, as well as risks relating to money laundering, embargos, breaches of labor regulations and other related matters.

In the event that a significant number of material customers default on their payment obligations to us, our financial condition, results of operations or cash flows, could be materially and adversely affected. Any of these risks could have an adverse effect on our business, financial condition and results of operations.

***Our business would be materially adversely affected if operations at our transportation and distribution facilities experienced significant interruptions. Our business would also be materially adversely affected if the operations of our customers and suppliers experienced significant interruptions.***

Our operations are dependent upon the uninterrupted operation of our terminal and storage facilities and various means of transportation and distribution facilities. We are also dependent upon the uninterrupted operation of certain facilities owned or operated by our suppliers and customers. Operations at our facilities and at the facilities owned or operated by our suppliers and customers could be partially or completely shut down, temporarily or permanently, as the result of any number of circumstances that are not within our control, such as:

- catastrophic events, including disease outbreaks, hurricanes and floods;
- environmental matters (including environmental licensing processes or environmental incidents, contamination, wildlife preservation obligations, solid waste and others);
- labor difficulties (including work stoppages, strikes and other events); and
- disruptions in the supply of our products to our facilities or means of transportation.

Any significant interruption at these facilities or inability to transport products to or from these facilities or to or from our customers for any reason could subject us to liability in judicial, administrative or other proceedings, even for disruptions caused by events outside of our control. If we are held liable for such events, results of operations and cash flow would be materially adversely affected.

***Disruption of transportation and logistics services or insufficient investment in public infrastructure could materially adversely affect our operating results.***

One of the principal disadvantages of the Brazilian agriculture sector is that key growing regions lie far from major ports. As a result, efficient access to transportation infrastructure and ports is critical to the growth of Brazilian agriculture as a whole and of our operations in particular. As part of our business strategy, we are investing in areas where existing transportation infrastructure is underdeveloped.

A substantial portion of Brazilian agricultural production is currently transported by truck, a means of transportation significantly more expensive than the rail transportation available to U.S. and other international

producers. Our dependence on truck transport may affect our position as a low-cost producer, such that our ability to compete in world markets may be impaired. Furthermore, our supply chain is dependent on road transport and may be adversely affected by weather conditions which require a decrease or stoppage in road transport. Any such impediments to road traffic along the routes typically used within our supply chain could require us and our suppliers to use alternative routes, which may result in delays and have a material adverse effect on our business, financial condition and results of operations.

Given that a significant part of Raízen Energia's sales are exported to countries other than Brazil (both with regards to sugar and ethanol), we may be adversely affected by the lack of port capacity or an increase in the costs of such port capacity as a result of limitations in supply.

We currently outsource the transportation and logistics services necessary to operate our business. Any disruption in these services, or any obligation to take over these services from existing service providers as a result of judicial orders banning the outsourcing of these services, could result in supply problems at our processing plants and impair our ability to deliver processed products to our customers in a timely manner. In addition, a natural disaster or other catastrophic event could result in disruption in regional transportation infrastructure systems affecting our third-party transportation providers.

Even though road and rail improvement projects have been considered for some areas of Brazil, and in some cases implemented, substantial investments are required for road and rail improvement projects, which may not be completed on a timely basis, if at all. Any delay or failure in developing infrastructure systems could hurt the demand for our products, impede our delivery of products or impose additional costs on us.

***We depend on third parties to provide our customers and us with facilities and services that are integral to our business. Additionally, we depend on the renewal of contracts with retail dealers that operate Shell-branded sites in Brazil and Argentina.***

We have entered into agreements with third-party contractors to provide facilities and services required for our operations, including fuel distribution, storage facilities and transportation services for our ethanol and sugar operations. Additionally, we depend on contracts entered into with retail dealers that operate Shell-branded sites in Brazil and Argentina. The loss or expiration of our agreements with third-party contractors and retail dealers, or our inability to renew these agreements or to negotiate new agreements with other suppliers and retail dealers at comparable rates could harm our business and financial performance. Our reliance on third parties to provide essential services on our behalf, and retail dealers that operate Shell-branded sites in Brazil and Argentina, also gives us less control over the costs, efficiency, timeliness and quality of those services. Contractors' negligence could compromise the safety of the transportation of ethanol from our production facilities to our export facilities and expose us to the risk of liability for environmental damage caused by such third parties. We expect to be dependent on such agreements for the foreseeable future, and if we enter any new market segments, we will need to have similar agreements in place.

Brazilian labor authorities, based on case law, previously prohibited the outsourcing of activities considered to be part of an entity's core business. Noncompliance with this prohibition could result in fines and a requirement that the outsourcing be terminated. To the extent that recent Brazilian Supreme Court rulings and enacted labor legislation allowing the outsourcing of activities considered to be part of an entity's core business provided that certain conditions are complied with. We face the risk that (i) we may be held indirectly liable when third-party contractors fail to comply with their labor obligations, and (ii) we are held jointly and severally liable with our third-party contractors where they fail to comply with their labor obligations if it is proved that there was a direct relationship between us and the outsourced employees, or in cases of fraud. Any such developments could materially adversely affect us.

***We may be adversely affected by unfavorable outcomes in pending legal proceedings.***

We are parties to judicial and administrative proceedings and cannot guarantee that decisions will be favorable to us and/or that cases will be dismissed. We are also subject to lawsuits in acquired companies that relate to periods prior to the acquisition of such companies. We cannot guarantee that the contractual guarantees for these proceedings (whether they exist) will be sufficient to cover all the losses resulting therefrom, especially regarding the financial capacity of the vendors to indemnify them. By means of an external and/or internal counsel analysis of our proceedings, we define their probabilities of success and make provisions where the risk of loss is probable.

Nevertheless, any final decisions which are not reflected in our prior assessment may have an adverse impact on our results and cash position. Decisions contrary to our interests that eventually reach substantial amounts or prevent us from doing business as initially planned may have a material adverse effect. As of March 31, 2020, we were party to proceedings with a probable risk of loss involving an aggregate amount of R$1,558.9 million for which provisions have been made. We are also party to proceedings for which our risk of loss was deemed possible and involves an aggregate amount of R$18,177.1 million and for which no provision has been made.

We are parties to administrative proceedings before the ANP. The penalties in such proceedings may involve fines from R$10,000.00 to R$200,000.00, depending on the respective outcomes. We are also parties to administrative proceedings before certain environmental authorities. The penalties in such proceedings may involve fines of up to R$50,000,000.00, depending on the respective outcomes.

In addition, unfavorable decisions in criminal proceedings involving members of our management may have a material adverse effect on us. Certain members of our management have been named as defendants in criminal proceedings (1) in their capacity as officers of the predecessor entity of Raízen and/or Raízen or its subsidiaries, as the case may be, for alleged artificial price fixing of fuel and the formation of a cartel with the purpose of establishing control over the regional market, (2) in their capacity as officers of Raízen and/or other entities (prior to joining Raízen), as the case may be, for alleged tax evasion carried out by these entities, (3) in their capacity as officers of Raízen for the crimes of disobedience and pollution in connection with the alleged burning of sugarcane contrary to a judicial decision and (4) in their capacity as officers of other entities (prior to joining Raízen) for alleged unauthorized use of a registered trademark, as well as importing products marked with brands illegally reproduced or copied from a third party. In the event of a final non-appealable conviction, one or more of these officers may be barred from holding executive positions within Raízen, and depending on the development of the proceedings, our reputation in the opinion of our clients, suppliers and investors may be materially adversely affected. For additional information regarding these and other proceedings involving members of our management, please see “Management—Criminal Proceedings Involving Members of Our Management.”

Raízen Combustíveis is currently the subject of a criminal investigation, which commenced with an administrative proceeding before CADE in 2009 against certain resellers and distributors. The proceeding is related to the alleged artificial price fixing of fuel and the alleged formation of a cartel among fuel distributors and resellers in the Brazilian Federal District in order to establish regional market control. In 2012, CADE issued a technical note that alleged the existence of cartels within the sector. In November 2015, the Brazilian federal police executed search and seizure warrants against certain resellers and fuel distributors, including Raízen Combustíveis at its distribution terminal in Brasília. Raízen Combustíveis is cooperating with Brazilian authorities in connection with the investigation, which is currently ongoing. As of the date of this offering memorandum, no individual (including gas station owners) indicted in connection with the investigation has any relationship or affiliation with Raízen Combustíveis. On June 30, 2020, CADE issued a technical notice, which we are currently evaluating, commencing an administrative proceeding involving resellers and fuel distributors, including Raízen Combustíveis. If Raízen Combustíveis or any of its employees are determined to have been involved in the misconduct, Raízen Combustíveis may be subject to penalties, including fines.

We cannot predict whether we will prevail in these or other proceedings, or whether we will have to pay significant amounts, including penalties and interest, as payment for our liabilities, which would materially and adversely impact our business, results of operations and financial condition. If we are the subject of an unfavorable outcome in any of these legal proceedings, the amount of such unfavorable decisions will have a material adverse effect on our financial position and operating results. See also “Business—Legal and Administrative Proceedings.”

***Our inability to post judicial collateral or provide guarantees in pending legal or administrative proceedings could have a material adverse effect on our business, financial condition and results of operations.***

We may not have sufficient funds to post collateral or provide guarantees in judicial or administrative proceedings involving substantial amounts. Even if we do not post such collateral or provide guarantees, we will be liable for paying any amounts due pursuant to any unfavorable outcomes in legal proceedings. We cannot assure you that, if we cannot make such payments, our assets, including financial assets, will not be attached, or that we will be able to obtain tax good standing certificates, all of which may have a material adverse effect on our business, financial condition and results of operations.

***Technological advances could affect demand for our products or require substantial capital expenditures for us to remain competitive.***

The development and implementation of new technologies may result in a significant reduction in the costs of sugar and ethanol production. We cannot predict when new technologies may become available, the rate of acceptance of new technologies by our competitors or the costs associated with such new technologies. Advances in the development of alternatives to sugar and ethanol also could significantly reduce demand or eliminate the need for sugar and ethanol as a fuel oxygenate. Any advances in technology which require significant capital expenditures to remain competitive or which otherwise reduce demand for sugar and ethanol will have a material adverse effect on our business and financial performance.

***We operate in industry sectors that require significant financial resources that may require access to the capital markets and bank financing in significant amounts to meet our investment objectives.***

We obtain funds for our activities through loans from financial institutions, domestic and foreign lenders, and through access to the capital markets. Our ability to obtain funding to finance our growth or operate our business depends on several factors, including our level of indebtedness and market conditions. Global market and economic conditions have been, and continue to be, disruptive and volatile. The debt capital markets have been impacted by significant write-offs in the financial services sector and the re-pricing of credit risk, sovereign defaults, political and economic developments in and affecting Brazil such as *Operação Lava Jato*, or Operation Car Wash (see also "—Risks Relating to the Countries in Which We Operate—Ongoing investigations relating to corruption and diversion of public funds that are being conducted by the Brazilian federal police may adversely affect the growth of the Brazilian economy and could have a material adverse effect on our business"), among other things. These events have negatively affected general economic conditions. In particular, the cost of raising money in the debt capital markets has increased substantially while the availability of funds from those markets for Brazilian companies has diminished significantly. Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards and reduced and, in some cases, ceased to provide funding to borrowers on commercially reasonable terms or at all. Our failure to obtain the necessary resources on reasonable terms may adversely affect our investment strategy. If we decide to increase our debt levels, we may be subject to risks, including our inability to pay outstanding debt, which may adversely affect our financial condition.

In addition, in connection with any new indebtedness we incur, we may be required to meet certain covenants in our financing arrangements and may be subject to restrictions on our ability to incur new debt or make new investments. A breach of these covenants may result in a mandatory prepayment or acceleration of the maturity of our outstanding debt. In the event of a prepayment or acceleration, our assets and cash flow might not be sufficient to pay the full amount due, which would materially adversely affect our financial condition.

***The modification, suspension, cancellation or non-renewal of certain tax benefits which Raízen Energia has been granted could have a material adverse effect on us.***

Raízen Energia may be adversely impacted if any of the tax benefits granted to it are cancelled or if it fails to renew or extend any of these tax benefits.

Certain Brazilian states grant financial and tax benefits in order to attract investors. Raízen Energia is a beneficiary of certain tax benefits granted, for instance, by the states of Goiás and Mato Grosso do Sul. These tax benefits include the deferral of the Brazilian sales tax (*Imposto sobre Operações relativas à Circulação de Mercadorias e sobre Prestações de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação*), or ICMS, over fixed assets import and interstate operations, ICMS tax credits and the reduction of the applicable taxes.

The state tax benefits relating to ICMS from which Raízen Energia benefits may be declared unconstitutional by the Brazilian Supreme Court if they have been granted without the approval of all the States and Federal District through the Brazilian National Council of Fiscal Policy (*Conselho Nacional de Política Fazendária*), or CONFAZ. The Brazilian Supreme Court may grant retroactive or prospective effects to the declaration of unconstitutionality. In addition, state tax authorities may revoke tax benefits if Raízen Energia fails to comply with the requirements set by the laws which created such tax benefits.

If any of these tax benefits is declared unconstitutional or is otherwise cancelled, Raízen Energia may be forced to pay to the applicable state the total amount of ICMS that would have been due had the tax benefit not been granted for a period of at least five years in addition to interest and a fine. In addition, the tax benefits from which Raízen Energia benefits have a fixed term and Raízen Energia may not be able to extend or renew them.

Any of these developments could have a material adverse effect on Raízen Energia's business, financial condition and results of operations.

***Our insurance coverage may be inadequate to cover all losses and/or liabilities that may be incurred in our operations.***

Our operations are subject to a number of hazards and risks. We maintain insurance at levels that are customary in the industries in which we operate to protect against these liabilities; however, our insurance may not be adequate to cover all losses or liabilities that might be incurred in our operations. For example, we do not maintain coverage for business interruptions of any nature for our Brazilian and Argentine operations, including business interruptions caused by labor disruptions. If, for instance, our workers were to strike, the resulting work stoppages could have a material and adverse effect on us. Similarly, we do not insure most of our assets against war or sabotage. Therefore, an attack or an operational incident causing an interruption of our business could have a material and adverse effect on our financial condition or results of operations. Moreover, we will be subject to the risk that we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it could have a materially adverse effect on our business, financial condition and results of operations.

***We may be unable to implement our growth strategy successfully.***

Our future growth and financial performance will depend, in part, on the successful implementation of certain strategies, including: (1) our ability to attract new clients or increase volume from existing clients in specific markets and locations, (2) our capacity to finance investments (through indebtedness or otherwise), (3) our ability to increase our operational capacity and expand our current capacity to supply to new markets, (4) our ability to reduce our operating costs and increase operating efficiency and (5) our ability to lead with regards to new technologies and market demands. We cannot assure you that we will be able to achieve these objectives and/or strategies successfully or at all. Our failure to achieve any of these objectives and/or strategies as a result of competitive difficulties, cost increase or restrictions on our ability to invest, among others, may limit our ability to implement our growth strategy successfully. We may need to incur additional indebtedness in order to finance new investments to implement our growth strategy. Unfavorable economic conditions in Brazil and in the global credit markets, such as high interest rates on new loans, reduced liquidity or reduced interest of financial institutions in granting loans, may limit our access to new credit. Furthermore, failure to achieve our expected growth may have a material adverse effect on our business, financial conditions, results of operations and our ability to repay our debt obligations.

***Any failure relating to our strategic partnerships may result in additional financial or performance obligations by us, which would reduce our profitability.***

We enter into strategic partnerships, joint ventures, combinations, alliances and collaborations, including, among other things, partnerships with our customers. The success of these and other partnerships depends, in part, on the satisfactory performance of our and our partners' obligations.

If we or our partners do not satisfactorily perform such obligations, our strategic partnerships may fail to perform as expected or to deliver the agreed services. Should this occur, we may be required to make additional investments and provide additional services to guarantee the adequate performance and delivery of the agreed services, or terminate such partnerships prior to their stated maturity. The performance by us of additional obligations with respect to our strategic partnerships may result in the reduction of our profits and material losses to us.

Strategic partnerships are essential to the continuity of our operations and our growth. If we fail to maintain our existing partnerships or identify new partnerships, our business, financial condition and results of operations may be materially and adversely affected.

***Raízen Combustíveis and Raízen Energia are controlled by two different shareholders.***

Raízen Combustíveis and Raízen Energia are controlled by two different shareholders, (1) Cosan and (2) Shell. Pursuant to their organizational documents, several issues require the approval of each of Raízen Combustíveis and Raízen Energia's boards of directors, each of which is composed of six members appointed by our two controlling shareholders (three each). The decisions of Raízen Combustíveis and Raízen Energia's boards of directors require the approval of the majority of directors. As a result, any misalignment between the interests of our controlling shareholders may lead to delays in making important decisions related to Raízen Combustíveis and Raízen Energia's business.

In addition, the shared control exercised by each of our shareholders on Raízen Combustíveis and Raízen Energia may result in impasses and disputes between our controlling shareholders in relation to strategy, control and other important matters, as well as to delays in making important decisions related to Raízen Combustíveis and Raízen Energia's business.

***We may face conflicts of interest in transactions with related parties.***

We engage in business and financial transactions with our controlling shareholders, or companies which they control or in which they have minority interests. Any such transactions or agreements, even if entered into on an arm's-length basis, create the potential for, or could result in, conflicts of interests between us and entities controlled by our controlling shareholders.

***The shareholders' and certain other definitive agreements with respect to us are subject to various put and call options and termination provisions.***

Cosan and Shell have entered into certain definitive agreements with respect to the Raízen joint venture that are subject to various put and call options and termination provisions that if triggered would cause the Raízen joint venture, or Cosan's and Shell's participation in it, to terminate early. Under such agreements between Cosan and Shell relating to the Raízen joint venture, Cosan and Shell have granted each other certain call and put options in certain other limited circumstances, including, among others, (1) fundamental breaches of the obligations provided for in the agreements governing the Raízen joint venture; (2) breach of anticorruption laws, (3) insolvency or bankruptcy of a party, (4) change of control, and (5) in the event of the death or disability of Cosan's Chairman or if Cosan's Chairman ceases to participate in the board meetings of Raízen Combustíveis and Raízen Energia for twelve consecutive months. If any of these or other similar provisions are triggered under the agreements related to Raízen Combustíveis and Raízen Energia, or if certain rights Cosan or Shell holds in connection therewith are exercised, the Raízen joint venture could terminate prior to the scheduled expiration, which could adversely affect our results of operations. See "Principal Shareholders—Agreements between Cosan and Shell."

***The interests of our controlling shareholders may conflict with the interests of our noteholders.***

We have a strong relationship with Cosan and Shell who indirectly hold the entirety of our share capital. The controlling shareholders have the power to, among other things, appoint all of the members of our board of directors and determine the outcome of certain resolutions requiring approval from shareholders, including with regards to matters pertaining to related party transactions, corporate restructurings, disposal of assets, partnerships, and the timing, conditions and amounts of any future dividend payments. Our controlling shareholders may be interested in carrying out acquisitions, disposal of assets or partnerships, seek financing or enter into similar transactions that may conflict with the interests of our noteholders.

***Raw material and supply service costs are subject to wide fluctuations that could have a material adverse effect on our results of operations.***

Raw materials used in our business are subject to wide fluctuations depending on market conditions. These prices are influenced by several factors over which we have little or no control, including, but not limited to international and national economic conditions, regulations, government policies, tariff adjustments and global effects of supply and demand. We cannot ensure that our tariff adjustment will be conducted in a timely manner or be sufficient to reflect and/or offset increases in inflation, operation costs and expenses, amortization of investments and taxes. As a result, we might not be able to pass on the increase in our cost structure to our customers, which could decrease our profit margin and result in a material adverse effect on our business, financial condition and results of operations.

***We may be adversely affected if the outsourcing of mechanized sugarcane cutting becomes prohibited.***

Raízen Energia is a defendant in a public civil action in which the Labor Public Prosecutor's Office (*Ministério Público de Trabalho*) is seeking the prohibition of the outsourcing of planting, loading and transportation of sugarcane. Although Raízen Energia's appeal to the Superior Labor Court (*Tribunal Superior do Trabalho*) in order to overturn an unfavorable first instance decision was granted, if the Superior Labor Court (*Tribunal Superior do Trabalho*) changes its understanding and determines that outsourced activities are a necessary means to our activities (and could not be outsourced), Raízen Energia may be required to undertake these activities itself on a permanent basis (including hiring employees and acquiring appropriate machinery). This could have a material adverse effect on Raízen Energia. Such material adverse effects may also arise from similar understanding regarding other activities outsourced by Raízen Energia or Raízen Combustíveis.

***Any mismatches between the cash outflows for the payment of litigation costs and the time of receipt of the related reimbursement by our shareholders may lead to pressures on Raízen Energia and Raízen Combustíveis' cash flows.***

Pursuant to the framework agreement which was entered into during the formation of the Raízen joint venture, we have agreed that we will reimburse our shareholders or will be reimbursed by them, as applicable, for any amounts received or paid in connection with legal proceedings, provided that the triggering events for such payments or receipts occurred before the formation of the Raízen joint venture on June 1, 2011 and provided that any such sums have actually been paid or received.

The framework agreement also provides that our controlling shareholders are required to indemnify us for any expense related to litigation (tax, labor, civil and other) that has been caused by events prior to the formation of the Raízen joint venture. See "Business—History—The Raízen Joint Venture."

Any mismatches between the cash outflows for the payment of litigation costs and the time of receipt of the related reimbursement by our shareholders, or any failure by our shareholders to reimburse us, may lead to pressures on our cash flows.

Brazilian courts, in some circumstances, have understood that a controlling shareholder, a successor entity of another corporation, an assignee company of another company's assets and other companies subject to common control to the assignor or predecessor company shall all be liable, jointly and severally, for, among other obligations, labor, social security, civil, tax or environmental obligations of the assignor, assignee or predecessor. Therefore, we may be liable for obligations of their controlling shareholders for which we have not constituted and do not intend to constitute any provisions, which may adversely affect our business, results of operations and financial condition.

***We may not achieve our expected results, projections, or fully implement our business strategy.***

This offering memorandum contains estimates and forward-looking statements that involve risks and uncertainties. The information herein is based on assumptions and estimates made by our management, such as assumptions relating to operating efficiency, installed capacity, fundamentals related to supply and demand in the markets in which they operate, performance of the Brazilian and international economy and liquidity of the financial and capital markets with respect to availability and financing conditions (including for our customers and suppliers).

Additionally, in view of the subjectivity of the judgments and the uncertainties associated with projections, our results of operations and future financial and operating indicators may vary materially from the projections included herein. Current or prospective investors may lose part or all of their investments if the estimates and assumptions are not correct and the conclusions arising therefrom do not materialize.

***We are subject to risks arising from the use of intellectual property rights and legal proceedings based on claims related to alleged breaches of the intellectual property rights of third parties.***

We are subject to risks arising from legal proceedings based on claims related to alleged breaches of the intellectual property rights of third parties. Our use of third parties' intellectual property rights in our business may require the payment of royalties, and may be terminated in accordance with the applicable license agreements. We may alter the way in which we produce, in whole or in part, products which third parties allege infringe their intellectual property rights and/or pay significant indemnification amounts, royalties or licensing fees in connection with the use of third parties' intellectual property rights, including patents or copyrighted materials. Third parties

may initiate legal proceedings questioning the validity, ownership or enforceability of intellectual property rights belonging to us, such as trademarks or patents, which may result in the loss or limitation of such rights. The filing of a lawsuit or the review of a product that is in violation of third parties' intellectual property rights may adversely affect our reputation and the demand for our products. In addition, new lawsuits require the attention of our management, as well as additional costs for our defense and, in certain cases, the establishment of provisions that could affect our results.

***We may be adversely affected by the loss of intellectual property rights***

In our regular course of business, we own intellectual property rights, including trademarks and patents. The continued ownership of such intellectual property rights may depend on administrative proceedings and the payment of certain fees, and applications/registrations for intellectual property rights may be challenged by third parties. The loss of rights over certain intellectual property assets belonging to us may impact our business, as we would not have the exclusive right to use such assets, and, depending on the circumstances, we may alter the manner in which we produce, in whole or in part, products which rely on such intellectual property rights. In addition, our applications for registration of intellectual property rights may be rejected by the competent authorities.

***There may be conflicts of interest between us and the other shareholders or quotaholders of the businesses in which we have non-controlling interests.***

We hold non-controlling interest in certain companies. Situations may arise in which the shareholders/majority partners of these companies may make decisions which are contrary to our interests. The existence of conflicting views between us and such shareholders/majority partners may also impact the management of these businesses, and thereby affect their operating results. In addition, such conflicts of interest may result in economic, financial or operating issues, as well as lead to disputes. Any of these developments could have a material adverse effect on our business, financial condition and results of operations. A list of our subsidiaries is included in note 2.3 to our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2020.

***Contamination of our products and other related risks could adversely affect our reputation, leading to judicial and administrative proceedings and/or resulting in the closure of our production facilities.***

Certain of our products may have adverse effects on our consumers (including certain components, raw materials, supplies used to produce our products), including as a result of product contamination or following errors in the production or distribution chain.

Contamination of any of our products may result in a need for recalls or the beginning of legal and administrative proceedings against us, which may adversely affect our reputation, our business, the operation of our production facilities, our financial condition and our operating results. Any damage to our reputation could have a material adverse effect on us.

***We are subject to developments affecting the Brazilian agribusiness sector as a whole.***

We cannot assure you that in the future, the Brazilian agribusiness sector will (1) maintain the rate of growth and development which it has experienced in recent years, and (2) will not suffer losses due to unfavorable climatic conditions, reduction of the prices of the agricultural commodities in the national and international markets, changes in credit policies for domestic producers, both by government agencies and private entities, that may affect our income, as well as other economic and political crises that may affect the agricultural industry in general. Any deterioration in the overall condition of the Brazilian agribusiness sector may have a material adverse effect on us.

***We depend on our information technology systems, and any failure of these systems could adversely affect our business.***

We depend on information technology systems to perform our operations. Our information technology systems are vulnerable to damage from a variety of sources, including network failures, malicious human acts, natural disasters, sabotage, vandalism, terrorist attacks, software errors, malfunctions and/or physical or electronic intrusions, viruses, and malicious human acts generated by cyber criminals, which can result in fraud, theft and/or destruction of information in our systems. Our security measures to ensure the protection of our systems to the extent possible, may not be effective in protecting against cyber-attacks and other breaches related to information technology systems. The techniques used to obtain unauthorized, improper or illegal access to our systems, our data

or our customers' data, to disable or degrade service, or to sabotage systems are constantly evolving, may be difficult to detect quickly, and often are not recognized until used against a target. Unauthorized parties may attempt to gain access to our systems or facilities through various means, including, among others, hacking into our systems or those of our customers, partners or vendors, or attempting to fraudulently induce our employees, customers, partners, vendors or other users of our systems to disclose user names, passwords, financial information or other sensitive information, which may in turn be used to access our information technology systems. Certain third-party efforts to access our information technology systems may be supported by significant financial and technological resources, making them even more sophisticated and difficult to detect.

Similarly, our backup processes, business continuity plans and disaster recovery plans, may not cover all of these events and the systems used. Moreover, despite network security and back-up measures, some of our servers are potentially vulnerable to physical or electronic break-ins, computer viruses, and similar disruptive problems. Failures or significant disruptions to our information technology systems or those used by our third-party service providers could prevent us from conducting our general business operations. Any disruption or loss of information technology systems on which critical aspects of our operations depend could have an adverse effect on our business, results of operations, and financial condition. Further, we store highly confidential information on our information technology systems, including information related to our products, suppliers, employees and clients. If our servers or the servers of the third party on which our data is stored are attacked by a physical or electronic break-in, computer virus or any other malicious human action, our confidential information could be stolen or destroyed. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of third-party confidential information, whether by us or a third party, could (1) subject us to civil and criminal penalties, (2) have a negative impact on our reputation, or (3) expose us to liability to our suppliers, customers, other third parties or government authorities. Any of these developments could have an adverse impact on our business, financial condition and results of operations.

We may also be subject to the effects of cyberattacks against critical infrastructures of Brazil and the other countries in which we operate. Our information technology systems are dependent on such critical infrastructure, and any cyberattack against such critical infrastructure could negatively affect our ability to service our customers.

Even when a failure of or interruption in our systems or facilities is resolved in a timely manner or an attempted cyber incident or other security breach is successfully avoided or thwarted, substantial resources are normally expended in doing so, and we may be required to take actions that could adversely affect customer satisfaction or behavior, and that may also represent a threat to our reputation.

***We were the target of a cybersecurity incident which disrupted our systems.***

During March 2020, Raízen was subject to a ransomware cyberattack, which caused a partial and temporary interruption of our operations. The affected entities within our group implemented their contingency plans, continued operating partially during the cyberattack, and progressively reconnected their operating systems following the attack.

As a result of the incident, we may incur losses associated with anticipated claims by third parties, as well as fines, penalties and other sanctions imposed by regulators relating to or arising from the incident. We are not able to reliably forecast all of the losses that may occur as a result of the incident, and such excess losses could have a material adverse effect on our financial condition or results of operations in future periods.

Following the incident, we have taken certain additional preventative measures intended to reduce cyber risks. However, we cannot provide assurance that our security frameworks and measures will be successful in preventing future cyberattacks. In addition, we expect that the cost to obtain cyber liability insurance in the future should we wish to do so (we do not currently have cyber liability insurance) will be adversely affected by the incident.

Further, the incident may have a negative impact on our reputation and cause customers, suppliers and other third parties with whom we maintain relationships to lose confidence in us. We are unable to definitively determine the impact to these relationships and whether we will need to engage in any activities to rebuild them.

See "Summary—Recent Developments—2020 Cybersecurity Incident" for further information.

***Our performance depends on favorable labor relations with our employees and our compliance with labor laws. Any deterioration of those relations or increase in labor costs could adversely affect our business.***

All of our employees in Brazil are represented by labor unions. Our relationships with these labor unions are governed by labor agreements or collective bargaining agreements which we negotiate with labor unions. Upon the expiry of such agreements, we are required to renegotiate new agreements with the applicable labor unions. As part of these renegotiations, new terms and conditions may be established. In certain cases, these agreements may not be renewed, which could lead to strikes and/or stoppages in our activities and have an adverse impact on our business, financial condition and results of operations. For more information about the labor lawsuits and proceedings to which we are a party, see "Business—Legal and Administrative Proceedings."

***We depend on key members of our management and employees to develop and implement our strategy and to oversee our operations.***

The loss of key members of management or employees and/or our inability to attract and retain a qualified team with considerable experience in the markets in which we operate may have an adverse effect on our business, financial condition and results of operations. The potential loss of key members of management and our inability to attract new talent may adversely affect our profitability.

***Our governance and compliance processes may fail to prevent regulatory penalties and reputational harm.***

We are committed to conducting our businesses in a legal and ethical manner in compliance with local and international statutory requirements and standards applicable to our activities. However, our governance and compliance processes, which include the review of internal controls over financial reporting, may not prevent future breaches of legal, regulatory (including applicable anti-corruption and antitrust laws), accounting or governance requirements and standards.

Although we have implemented what we understand to be a robust compliance and anti-corruption program to detect and prevent violations of applicable anti-corruption and antitrust laws, we may be subject to breaches of our Code of Ethics and Conduct, anti-corruption policies and business conduct protocols, and to instances of fraudulent behavior, corrupt or anticompetitive practices and dishonesty by our employees, contractors or other agents. Our failure to comply with applicable laws and other standards could subject us to, among others, litigation, investigations, expenses, fines, loss of operating licenses and reputational harm.

***Volatility in the price of the products we sell or of the raw materials we use or purchase may have a material adverse effect on us.***

Our results of operations may be significantly affected by volatility in the prices of the products we sell or of the raw materials we use or purchase. The prices of these products are subject to significant fluctuation as a result of domestic and international demand, production volumes, climate and global stock levels. Price volatility may have a significant impact on our results of operations, particularly if our revenues fall below our production costs.

The prices at which we are able to sell our products or purchase the raw materials we use or purchase depend on market conditions, both in Brazil and internationally, which are outside of our control and may have a significant impact on our results of operations. These prices are subject to significant fluctuation as a result of natural disasters, harvest levels, agricultural investments, governmental policies (in particular with regards to the agricultural sector), trade policies, changes in supply and demand patterns, increases or decreases in purchasing power, the production of similar or competing products and other factors beyond our control. A significant portion of our products are also traded on commodities exchanges and their prices may therefore be affected by speculation on financial markets.

In addition, the price of sugar is also affected by the obligation to comply with certain requirements relating to exports and the consequent effects on supply within Brazil. As a result, the price of sugar has historically been subject to greater volatility than the prices of other products. Sugar prices may decrease as a result of, directly or indirectly, competition from alternative sweeteners, include saccharine and high-fructose corn syrup, changes in agricultural policies or international or Brazilian trade policies (including those mandated by the World Trade Organization).

The energy market is highly volatile and may significantly impact our results.

Any significant or prolonged decrease in the price of sugar and/or ethanol and/ or in the energy market may have adverse effects on our business, financial condition and results of operations.

***Risks related to developments in international trade may negatively affect our business.***

Sugarcane derivatives such as sugar and ethanol are key commodities, as sugar is consumed as food in several countries and ethanol accounts for a significant portion of the energy consumption of Brazil and certain other countries. As is the case with other commodities, the prices of sugarcane derivatives in international markets may fluctuate as a result of the imposition of tariff and non-tariff barriers, such as embargos, sanitary restrictions, quotas, taxes, international trade disputes and other matters. Any fluctuation in the price of sugarcane derivatives as a result of developments in international trade may affect our ability to produce, sell and/or export our products and consequently have a material adverse effect on our business, financial condition and results of operations.

***We are subject to the application of data protection laws. Compliance with such data protection laws could require changes to certain of our business practices, thereby increasing our costs, and noncompliance with the terms of such laws could adversely affect our business. In addition, we may be subject to penalties if we fail to comply with data protection rules.***

We operate in a complex regulatory and legal environment that exposes us to compliance and litigation risks that could materially affect our business, financial condition and results of operations. These laws may change, sometimes significantly, as a result of political, economic or social events.

While Brazil does not have a specific data protection law currently in force, we are subject to laws and regulations with provisions regarding the processing of personal data applicable in certain fields, such as the Internet Law (Law No. 12,965/14). Violations of such laws may result in civil and administrative sanctions, as well as in lawsuits moved by the Public Prosecutor's office, consumer protection agencies, or individual data subjects. Incidents involving personal data may also result in reputational damages.

In addition, on August 14, 2018, the President of Brazil approved Law No. 13,709/2018, a comprehensive data protection law establishing general principles and obligations that apply across multiple economic sectors and contractual relationships (*Lei Geral de Proteção de Dados*), or the LGPD. The LGPD establishes detailed rules for the collection, use, processing and storage of personal data and will affect all economic sectors, including the relationship between customers and suppliers of goods and services, employees and employers and other relationships in which personal data is collected, whether in a digital or physical environment. The LGPD establishes rules and principles governing the processing of personal data collected or processed in Brazil, or with the purpose of offering goods or services to individuals located in Brazil. Breaches of the LGPD may subject us to a variety of penalties, such as warnings, public disclosure of the breach, blocking and elimination of the affected personal data, and fines of up to R$50 million and a requirement to notify parties whose data has been affected.

The obligations established by the LGPD would initially become effective in August 2020 (24 months from the date of its publication in August 2018), by which date all legal entities would be required to adapt their data processing activities to these new rules.

However, due to the recent developments regarding the COVID-19 pandemic, the president of Brazil has issued Provisional Measure No. 959/2020 which postpones the effectiveness of the LGPD. As a result, the LGPD will only become effective on May 3, 2021. This provisional measure is effective for 60 days, extendable for an additional period of a single equal term. In order to become effective after such term, the provisional measure must be voted by the Brazilian congress.

In the meantime, the President of Brazil has recently sanctioned the Bill No. 1,179/2020, converted into Law No. 14,010/20, to implement the emergency and transitory legal regime applicable in Brazil during the COVID-19 pandemic. Among other matters indicated in such law, the applicability of the administrative fines and sanctions to companies that fail to comply LGPD rules was postponed to August 1, 2021.

Although the Provisional Measure No. 959/2020 is yet to be approved by the Brazilian congress and subject to the necessary legislative proceedings to be converted into law, we must stress that compliance with LGPD will be required immediately once it becomes effective, and even though the applicability of administrative fines and sanctions was postponed to August 1, 2021 by Law No. 14,010/20, it does not prevent the competent authorities to

begin supervision procedures and enactment of additional rules to be complied with prior to such effectiveness date, nor does it prevent individual or collective lawsuits based on violation of rights and subject to civil liability.

We are currently evaluating the LGPD, their requirements and their potential effect on our business. Implementation of the LGPD could require changes to certain of our business practices, thereby increasing our costs, and noncompliance with their terms could adversely affect our business. Moreover, additional data protection laws may be enacted in Brazil or in other jurisdictions in which we operate. Any such additional laws may require us to make additional changes to our business practices and may expose us to additional penalties for noncompliance.

Any of these developments could have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to successfully integrate the operations of Raízen Argentina and face other risks associated with the acquisition.***

We may not be able to successfully integrate Raízen Argentina into our business, or successfully implement appropriate operational, financial or administrative systems and controls to achieve the benefits that we expect to result from the acquisition of Raízen Argentina. The risks we face include but are not limited to: (1) failure of Raízen Argentina to achieve expected results; (2) inability to retain key personnel of Raízen Argentina; (3) failure to successfully migrate Raízen Argentina's current customer and supplier relationships to the business as acquired by us; and (4) possible inability to achieve expected synergies or economies of scale. In addition, the business of Raízen Argentina could cause interruption of, or loss of momentum in, the activities of our existing business. The diversion of our management's attention and any delays or difficulties encountered in connection with the integration of Raízen Argentina could adversely affect our business, results of operations or prospects.

The acquisition of Raízen Argentina also exposes us to the risk that it will inherit pre-existing business, labor, environmental or other issues which may result in temporary shutdowns, labor disputes, obligations to compensate third parties for environmental damage or repair environmental damage or which may otherwise have an adverse effect on us if not managed properly.

In addition, the acquisition of Raízen Argentina may expose us to successor liability relating to certain prior actions of Raízen Argentina and its management or certain contingent liabilities incurred prior to its involvement. It will also expose us to certain liabilities associated with ongoing operations (including, without limitation, environmental liabilities), especially to the extent that we are unable to adequately and safely manage such acquired operations. Also, undisclosed liabilities from the acquisition of Raízen Argentina may adversely affect our financial condition and operating results.

As a result of the acquisition of Raízen Argentina, we have also become exposed to political, economic and other developments affecting Argentina as a whole. See also "—Risks Relating to the Countries in Which We Operate—We have operations in Argentina and risks related to Argentina's political and economic conditions may adversely affect our business, results of operations and financial condition" and "Business—The Raízen Argentina Acquisition."

***Raízen Combustíveis and Raízen Argentina continue to depend substantially on Shell and other third parties for the products they sell and for certain intellectual property they use.***

Raízen Combustíveis and Raízen Argentina entered into several agreements with third parties, including entities owned or controlled by Shell. Such agreements, which have been entered into with entities owned or controlled by Shell, would include a supply agreement relating to the importation of hydrocarbons into Argentina and Brazil and a license to use certain Shell brands in Argentina and Brazil. In addition, Raízen Argentina distributes certain products (e.g., aviation and lubricant products) pursuant to agreements entered into by Shell and certain third parties on a global basis. We expect that Raízen Combustíveis and Raízen Argentina will be dependent on such agreements for the foreseeable future.

Raízen Combustíveis and Raízen Argentina's inability to renew or maintain the benefit of these agreements or to negotiate new agreements with providers at equivalent rates could adversely affect Raízen Combustíveis and Raízen Argentina's business, reputation and financial performance, as applicable. Also, contractors' negligence could compromise the quality and safety of Raízen Combustíveis and Raízen Argentina's products, as applicable,

and expose Raízen Combustíveis and Raízen Argentina to the risk of liability for product liability and damage caused by such third parties.

Any of the abovementioned risks may have a material adverse effect on Raízen Combustíveis and Raízen Argentina, as applicable, as well as on our business, financial condition and results of operations.

See also "Business—The Raízen Argentina Acquisition."

***We may not effectively manage risks associated with the replacement of benchmark indices.***

Interest rate, equity, foreign exchange rate and other types of indices which are deemed to be "benchmarks" are the subject of increased regulatory scrutiny. In 2017, the United Kingdom's Financial Conduct Authority, or the FCA, announced that it will no longer persuade or compel banks to submit rates for the calculation of the London interbank offered rate ("LIBOR") benchmark after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021, and it appears likely that LIBOR will be discontinued or modified by 2021. This and other reforms may cause benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be fully anticipated and which introduce a number of risks for us including legal risks arising from potential changes required to documentation for new and existing transactions. In addition, financial risks arising from any changes in the valuation of financial instruments linked to benchmark rates, and pricing risks arising from changes to benchmark indices could impact pricing mechanisms on some instruments. Accordingly, it is not currently possible to determine whether, or to what extent, any such changes would affect us. However, the implementation of alternative benchmark rates may have a material adverse effect on our business, results of operations, financial condition and prospects.

**Risks Relating to the Countries in Which We Operate**

***Our business may be materially adversely impacted by unfavorable economic, political, social or other developments and risks in the countries in which we operate.***

As of the date of this offering memorandum, we had operations primarily in Brazil and Argentina. We export our products to various other countries. We are exposed to the risks related to changes in social, political and economic conditions in the countries in which we operate and in the countries where we have distribution networks, marketing companies or production facilities, including inflation, inherent to foreign operations, which could adversely affect our business, financial condition and results of operations.

In particular, our business is dependent on general economic conditions in our most important markets, including in Brazil and Argentina. A significant deterioration in economic conditions in any of our important markets, including economic slowdowns or recessions, inflationary pressures, change in laws and policies, exchange controls, changes in buying habits and/or disruptions to credit and capital markets, could lead to decreased consumer confidence and consumer spending more generally, thus reducing demand for our products. Unfavorable economic conditions could also negatively impact our customers, suppliers and financial counterparties, who may experience cash flow problems, increased credit defaults or other financial issues. In addition, volatility in the credit and capital markets caused by unfavorable economic developments and uncertainties could result in a reduction in the availability of, or an increase in the cost of, our financing. Our business could also be affected by other economic developments such as fluctuations in currency exchange rates, the imposition of any import, investment or currency restrictions, including tariffs and import quotas, or any restrictions on the repatriation of earnings and capital. Any of these developments may have a material adverse effect on our business and financial results.

Our operations are also subject to a variety of other risks and uncertainties related to its global operations, including adverse political, social or other developments. Political and/or social unrest or uncertainties, potential health issues, natural disasters, politically-motivated violence and terrorist threats and/or act may also occur in countries where we have operations. Any of the foregoing could have a material adverse effect on our business, financial condition and performance.

Many of the above risks are heightened, or occur more frequently, in emerging markets. Most of our operations are conducted in emerging markets. In general, emerging markets are also exposed to relatively higher risks of liquidity constraints, inflation, devaluation, price volatility, currency convertibility, corruption, crime and lack of law enforcement, expropriation of assets, and sovereign default, as well as additional legal and regulatory risks and uncertainties. Developments in emerging markets can affect our ability to import or export products and to repatriate

funds, as well as impact levels of consumer demand and therefore our levels of sales or profitability. Any of these factors may affect us disproportionately or in a different manner from our competitors, depending on our specific exposure to any particular emerging market, and could have a material adverse effect on our business and financial results.

***Changes in existing laws and regulations and/or the imposition of new laws, regulations, restrictions and/or other entry barriers may cause us to incur additional costs to comply with the more stringent rules and/or limit our ability to expand, which could slow down our product development efforts, limit our growth and development and have an adverse impact on our financial position.***

We are subject to compliance with various laws and regulations relating to fuels, health and safety and environmental matters, among others, in the jurisdictions in which we sell our products. Failure to comply with these rules may result in the imposition of conditions on or the suspension of sales or seizure of our products, significant penalties or claims and, in some jurisdictions, criminal liability. In the event that the countries in which we sell our products increase the stringency of such laws and regulations, our production and distribution costs may increase, and we may be unable to pass these additional costs on to our customers. In the event that any such change in law or regulations requires that we obtain a license or permit for our operations, we may be unable to obtain or, if obtained, maintain such license or permit, which may result in a temporary or permanent suspension of some or all of our business activities, which could disrupt our operations and adversely affect our business. Further, in the event that any jurisdiction in which we operate or plan to operate imposes any new laws, regulations, restrictions and/or other barriers to entry, our ability to expand may be thereby limited and our growth and development may be adversely affected.

***Risks related to Brazilian economic and political conditions may negatively affect our business.***

We conduct most of our operations in Brazil. The Brazilian economy has been characterized by frequent and occasionally extensive intervention by the Brazilian government and unstable economic cycles. The Brazilian government has often changed monetary, taxation, credit, tariff and other policies to influence the course of Brazil's economy. The Brazilian government's actions to control inflation have at times involved setting wage and price controls, blocking access to bank accounts, imposing exchange controls and limiting imports into Brazil. Furthermore, there were recent instances in which the Argentine government has decided to interfere in the market prices of certain products we sell, such as the price of fuels between August and November 2019, which resulted in a material adverse impact on our results.

We have no control over and cannot predict what measures or policies the government of the countries in which we operate may take in the future. Our business, financial performance and results of operations may be adversely affected by changes in policy and regulations involving or affecting certain factors, such as:

- inflation;
- exchange rate movements;
- exchange rate control policies;
- interest rate fluctuations;
- liquidity available in the domestic capital, credit and financial markets;
- expansion or contraction of the economy, as measured by rates of growth in gross domestic product, or GDP;
- import and export controls;
- ports, customs and tax authorities' strikes;
- changes in transportation market regulations;
- energy and water shortages and rationing;

- price increases of oil and other inputs;
- price instabilities;
- economic, political and social instability, including general strikes and mass demonstrations;
- disease outbreaks, such as the COVID-19 pandemic;
- fiscal policies; and
- other economic, political, diplomatic and social developments in or affecting the countries in which we operate.

The recent economic instability in Brazil has contributed to a decline in market confidence in the Brazilian economy as well as to a deteriorating political environment. In addition, various ongoing investigations into allegations of money laundering and corruption being conducted by the Office of the Brazilian Federal Prosecutor, including the largest such investigations, known as Operação Lava Jato, Operação Zelotes, Operação Greenfield, Operação Eficiência, have negatively impacted the Brazilian economy and political environment. The potential outcome of these investigations is uncertain, but they have already had an adverse impact on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy.

We cannot predict whether the ongoing investigations, including the currently ongoing investigations against the current President of Brazil, will result in further political and economic instability, or if new allegations against government officials and/or executives of private companies will arise in the future.

Furthermore, a failure by the Brazilian government to implement necessary reforms may result in diminished confidence in the Brazilian government's budgetary condition and fiscal stance, which could result in downgrades of Brazil's sovereign foreign credit rating by credit rating agencies, negatively impact Brazil's economy, and lead to further depreciation of the *real* and an increase in inflation and interest rates, adversely affecting our business, financial condition and results of operations.

Any of the aforementioned developments may adversely affect our business, results of operations and financial condition, as well as on the price of our notes.

***The ongoing economic and political crisis in Brazil may have a material adverse effect on our business, operations and financial condition.***

The recent economic instability in Brazil caused by the COVID-19 pandemic, a slowdown in GDP growth, and uncertainty as to whether the Brazilian government will enact the necessary economic reforms to improve Brazil's deteriorating fiscal accounts and economy have led to a decline in market confidence in the Brazilian economy and a government crisis.

Moreover, the Brazilian government may be subject to internal pressure to change its current macroeconomic policies in order to achieve higher rates of economic growth. We cannot predict what policies will be adopted by the Brazilian government. As has happened in the past, the Brazilian economy has been affected by the country's political events, which have also affected the confidence of investors and the public in general, thereby adversely affecting the performance of the Brazilian economy. Furthermore, any indecisiveness by the Brazilian government in implementing changes to certain policies or regulations may contribute to economic uncertainty in Brazil and heightened volatility for the Brazilian securities markets and securities issued abroad by Brazilian companies.

We are not able to fully estimate the impact of global and Brazilian political and macroeconomic developments on our business. In addition, due to the current political instability, there exists substantial uncertainty regarding future economic policies and we cannot predict what policies will be adopted by the Brazilian government and whether these policies will negatively affect the economy or our business or financial performance. Recent economic and political instability has led to a negative perception of the Brazilian economy and higher volatility in the Brazilian securities markets, which also may adversely affect us and our securities. Any continued economic instability and political uncertainty may have a material adverse effect on our business.

***Ongoing investigations relating to corruption and diversion of public funds that are being conducted by the Brazilian federal police may adversely affect the growth of the Brazilian economy and could have a material adverse effect on our business.***

Certain Brazilian companies active in the oil and gas, energy, construction and infrastructure sectors are facing investigations by the CVM, the SEC, the U.S. Department of Justice, the Brazilian Federal Police and the Brazilian Federal Prosecutor's Office, the Comptroller General of Brazil and other relevant governmental authorities, in connection with corruption allegations and diversion of public funds, the largest of which is known as Operação Lava Jato, or Operation Car Wash. The Brazilian federal police is also investigating allegations of improper payments made by Brazilian companies to officials of the Board of Tax Appeals (*Conselho Administrativo de Recursos Fiscais*), or CARF, a tax appeals tribunal (*Operação Zelotes*). It is alleged that the purpose of such improper payments was to induce those officials to reduce or waive certain tax-related penalties imposed by the Brazilian federal revenue authority, which were under appeal in the CARF. Such investigations involve several companies and individuals, including representatives of various companies, politicians and third parties. Certain of these individuals are being investigated by the Brazilian Federal Police and others were formally charged and are facing criminal proceedings and/or have already been convicted by the Brazilian Federal Courts.

Depending on the duration and outcome of such investigations, the companies involved may face a reduction in their revenues, downgrades from rating agencies or funding restrictions, among other negative effects. Given the significance of the companies cited in these investigations in the Brazilian economy, the investigations and their fallout have had an adverse effect on Brazil's economic growth prospects in the near, short to medium term. According to data from the IBGE, the Brazilian economy's GDP contracted by 3.5% and 3.3% in 2015 and 2016, respectively, but increased by 1.3% in 2017 and in 2018, and by 1.1% in 2019. Furthermore, the negative effects on such companies and others may also impact the level of investments in infrastructure in Brazil, which may lead to lower economic growth or contraction in the near to medium term.

As a result of the allegations under the "*Lava Jato*" investigations and the economic downturn, Brazil was downgraded to non-investment grade status by Standard & Poor's, or "S&P," in September 2015, by Fitch Ratings, or "Fitch," in December 2015, by Moody's Investors Service in February 2016 and downgraded again by Fitch in May 2016. In addition, Brazil was further downgraded by S&P to BB- with a stable outlook in January 2018 as a result of the failure of the current Brazilian government to approve certain pension reforms. Brazil's sovereign rating is currently rated by the three major risk rating agencies as follows: BB- by S&P and Fitch Ratings and Ba2 by Moody's. Various major Brazilian companies were also downgraded. Such downgrades have further worsened the conditions of the Brazilian economy and the condition of Brazilian companies, especially those relying on foreign investments.

In addition, such investigations have extended to persons in high positions in the executive and legislative branches of the Brazilian government, which has caused considerable political instability. It is difficult to predict the effects of such political instability. Persistently poor macroeconomic conditions in Brazil resulting from, among other things, the "Lava Jato" investigations, their consequences and political instability could have a material adverse effect on us.

***Inflation and government measures to curb inflation may adversely affect the Brazilian economy, the Brazilian securities market, our business and operations and the market prices of our notes.***

Brazil has experienced extremely high rates of inflation in the past and has therefore implemented monetary policies that have resulted in one of the highest interest rates in the world. According to the IGP-M, a general price inflation index, the inflation rates in Brazil were, 10.5% in 2015, 7.2% in 2016, a decrease of 0.5% in 2017, 7.5% in 2018 and 7.3% in 2019. In addition, according to the National Extended Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), published by the IBGE, the Brazilian price inflation rates were 11.3% in 2015, 6.3% in 2016, 3.0% in 2017, 3.8% in 2018 and 4.3% in 2019.

The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets. The Brazilian government's measures to fight inflation, principally through the Central Bank, have had and may in the future have significant effects on the Brazilian economy and our business.

Brazil may experience high levels of inflation in future periods. If Brazil experiences high inflation rates, the Brazilian federal government may decide to intervene in the economy, including through the implementation of governmental policies that may have an adverse effect on us and our clients. In addition, if Brazil experiences high inflation rates, we may not be able to adjust the prices of our products in order to compensate for the effects of inflation in our costs structure, which may have an adverse effect on us.

***Significant volatility in the value of the real in relation to the U.S. dollar and other currencies could adversely affect the Brazilian economy.***

Due to inflationary pressures and adjustments to economic policy, the Brazilian currency has historically experienced volatility against the U.S. dollar and other foreign currencies. In the past, the Brazilian government has implemented various economic plans and exchange rate policies, including sudden devaluations and periodic mini-devaluations, during which the frequency of adjustments has ranged from daily to monthly, fluctuation band exchange rate systems, exchange controls and dual exchange rate markets.

There have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, the Brazilian *real* depreciated 19.7% and 53.2% against the U.S. dollar in 2001 and 2002, respectively and appreciated 18.0%, 8.0%, 12.3%, 8.5% and 17.0% against the U.S. dollar in 2003, 2004, 2005, 2006 and 2007, respectively. In 2008, the *real* depreciated again approximately 31.9% against the U.S. dollar. In 2009, the *real* appreciated 25.3% against the U.S. dollar, while in December 31, 2010 the *real* to U.S. dollar exchange rate was R$1.6662, according to the Central Bank. In 2011, the *real* depreciated by 13.6% against the U.S. dollar, from R$1.6510 per U.S.$1.00 in the beginning of the period to R$1.8758 per U.S.$1.00 by the end of the period, and in 2012 the *real* went from R$1.8683 per U.S.$1.00 in the beginning of the year to R$2.0435 per U.S.$1.00 by the end of the period, amounting to a 9.4% depreciation against the U.S. dollar. In 2013, the *real* went from R$2.0415 per U.S.$1.00 in the beginning of the year to R$2.3426 per U.S.$1.00 by the end of the period. In 2014, the *real* went from R$2.3975 per U.S.$1.00 in the beginning of the year to R$2.6562 per U.S.$1.00 by the end of the period, corresponding to a 10.8% depreciation against the U.S. dollar.

However, during 2015, due to the poor economic conditions in Brazil, including as a result of political instability, the *real* has devalued at a rate that is much higher than in previous years. On September 24, 2015, the *real* fell to the lowest level since the introduction of the currency, at R$4.195 per U.S.$1.00. In 2015, the *real* depreciated 45%, reaching R$3.905 per U.S.$1.00 on December 31, 2015. Conversely, in 2016, the *real* went from R$4.039 per U.S.$1.00 at the beginning of the year to R$3.259 per U.S.$1.00 on December 31, 2016, corresponding to a 19.3% appreciation against the U.S. dollar. In 2017, the *real* went from R$3.273 per U.S.$1.00 at the beginning of the year to R$3.308 per U.S.$1.00 on December 31, 2017, corresponding to a 1.1% depreciation against the U.S. dollar. In 2018, the *real* went from R$3.270 per U.S.$1.00 at the beginning of the year to R$3.875 per U.S.$1.00 on December 31, 2018, corresponding to a 18.5% depreciation against the U.S. dollar. In 2019, the *real* went from R$3.860 per U.S.$1.00 at the beginning of the year to R$4.031 per U.S.$1.00 on December 31, 2019, corresponding to a 4.4% depreciation against the U.S. dollar. On March 31, 2020, the exchange rate was R$5.1987 per U.S.$1.00. On June 30, 2020, the exchange rate was R$5.4760 to U.S.$1.00. There can be no assurance that the *real* will not depreciate or appreciate further against the U.S. dollar.

Depreciation of the *real* relative to the U.S. dollar could result in additional inflationary pressures in Brazil, thereby leading to an increase in interest rates, limiting our access to foreign financial markets and weakening investor confidence in Brazil and reducing the market price of our notes, and requiring the implementation of recessionary policies by the Brazilian federal government. On the other hand, the appreciation of the *real* against the U.S. dollar may lead to a deterioration of the country's current account and the balance of payments and may dampen the country's exports. Any of these events may damage the Brazilian economy as a whole.

A significant portion of the sales of sugar of Raízen Energia are conducted in U.S. dollars. Therefore, a depreciation of the *real* against the U.S. dollar would have the effect of increasing our sales in Raízen Energia. An appreciation of the *real* against the U.S. dollar would have the opposite effect. Further, we are also exposed to foreign exchange risk from our U.S. dollar- and euro-denominated loans and financings and derivative financial instruments for hedging such loans and financings in foreign currency. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting Our Results of Operations—Currency Fluctuations" and "—Quantitative and Qualitative Disclosures about Market Risk."

***High interest rates may adversely affect our operations and financial condition.***

The Brazilian government's measures to control inflation have frequently included maintaining a restrictive monetary policy with high interest rates, thereby limiting the availability of credit and reducing economic growth. Official interest rates in Brazil at the end of 2019, 2018 and 2017 were 4.5%, 6.5% and 7.0% per year, respectively, as established by the monetary policy committee of the Central Bank (*Comitê de Política Monetária*). As of the date of this offering memorandum, the official interest rate in Brazil was 2.25%. Any increase of such interest rates may negatively affect our profits and results of operations, thereby increasing the costs of financing our operations.

High interest rates may impact our cost of obtaining loans and also the cost of indebtedness, resulting in an increase in our financial expenses. This increase may adversely affect our ability to pay our financial obligations, as it reduces our cash availability. Mismatches between contracted indexes for assets versus liabilities and/or high volatilities in interest rates may result in financial losses for us.

Our interest rate risk refers to the impact of an increase in certain interest rate indexes used in certain of our loans and financings may have in the cost of our indexed indebtedness and, consequently, on our financial results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk."

***Infrastructure and workforce deficiency in Brazil may impact economic growth and have a material adverse effect on us.***

Our performance depends on the overall health and growth of the Brazilian economy. Brazilian GDP growth has fluctuated over the past few years, with a contraction of 3.8% in 2015, a contraction of 3.6% in 2016, an increase of 1.3% in 2017, an increase of 1.3% in 2018 and an increase of 1.1% in 2019. Continued growth is limited by inadequate infrastructure, including potential energy shortages and deficient transportation, logistics and telecommunication sectors, the lack of a qualified labor force and the lack of private and public investments in these areas, which limit productivity, as well as efficiency. Any of these factors could lead to labor market volatility and generally impact income, purchasing power and consumption levels, which could limit growth or result in contraction and ultimately have a material adverse effect on our business.

Furthermore, deficiencies in the road, rail or waterway network of the areas in which we operate, such as unpaved or maintenance-free roads lack of railroads, especially in regions farthest from the ports, result in high logistics costs and, consequently, reduce the profitability of our sugarcane operations. Likewise, failure or malpractice in transportation handling, whether on trains, trucks or vessels, may lead to loss of production, waste of quantities or damage to sugarcane. Constant climate change, such as excessive rainfall, has led to a worsening of the road's conservation status, which may lead to an increase in over-production losses. The aforementioned infrastructure deficiencies may make it more difficult for us to conduct our business in the areas in which we operate and thereby adversely affect us.

***Developments and the perception of risk in other countries may adversely affect the Brazilian economy and market price of Brazilian issuers' securities.***

The market value of securities of Brazilian issuers is affected by economic and market conditions in other countries, including the United States, European countries, as well as in other Latin American and emerging market countries. Although economic conditions in Europe and the United States may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Additionally, crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including our securities, as well as adversely affect the availability of credit to Brazilian companies in the international markets, with the significant outflow of resources from the country and decrease in the amount of foreign currency invested in the country. In addition, negative events in the Brazilian financial and capital markets, any news or evidence of corruption in publicly traded companies and other issuers of securities, and the lack of rigorous application of investor protection rules or lack of transparency of information or eventual crisis situations in the Brazilian economy and in other economies may influence the Brazilian capital markets and negatively impact the securities issued in Brazil. This could adversely affect the market price of our securities, restrict our access to capital markets and compromise our ability to finance our operations in the future on favorable terms, or at all.

In recent years, there was an increase in volatility in all Brazilian markets due to, among other factors, uncertainties about how monetary policy adjustments in the United States would affect the international financial markets, the increasing risk aversion to emerging market countries and the uncertainties regarding Brazilian macroeconomic and political conditions. These uncertainties adversely affected us and the market value of our securities.

In addition, we continue to be exposed to disruptions and volatility in the global financial markets because of their effects on the financial and economic environment, particularly in Brazil, such as a slowdown in the economy, an increase in the unemployment rate, a decrease in the purchasing power of consumers and the lack of credit availability.

Disruption or volatility in the global financial markets could further increase negative effects on the financial and economic environment in Brazil, which could have a material adverse effect on our business, results of operations and financial condition.

***Events in other countries may have a negative impact on the Brazilian economy.***

Global economic conditions may affect the Brazilian economy as well as the demand for our products (including ethanol). For example, a global recession may lead to a reduction in global demand for our products, either through lower consumption or via measures to protect local production. In both cases the consequence would be to reduce prices for our products in the foreign market, affecting our financial performance. In addition, as a portion of our net operating revenues is generated from export activities and normally billed in U.S. dollars and, at the same time, most of our costs are denominated in *reais*, our operating margins may be adversely affected when the real appreciates against the U.S. dollar. In addition, we have indebtedness at pre-and post-fixed rates and, therefore, we are exposed to the risk of interest rate variations. If there is an increase in interest rates, our financial results may be affected.

On January 20, 2017, Donald Trump became the president of the United States. Certain of Donald Trump's economic and trade policies, in particular the ongoing trade disputes with China, have generated volatility in the global capital markets. Such volatility and uncertainty, as well as changes in administrative and governmental policies of the administration may have a material adverse effect on global economic conditions and the stability of global financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. We have no control over and cannot predict the effects arising from the current or any future United States administration or its policies. Any disruption to global economic conditions and the stability of global financial markets could have a material adverse effect on us and the market value of our securities.

On January 31, 2020, the United Kingdom ceased to be a member of the European Union under withdrawal terms that established a transition period until December 31, 2020, during which the United Kingdom is to be treated as if it were still a member of the European Union. Although the withdrawal agreement foresees the possibility of extending the transition period for one or two years after the December 31, 2020 date, this is not automatic, and the United Kingdom has enshrined the December 31, 2020 date as the end of the transition period in the domestic legislation that passed the withdrawal agreement, signaling a current desire not to extend it. The ongoing process of negotiations between the United Kingdom and the European Union will determine the future terms of the United Kingdom's relationship with the European Union at the end of the transition period, including access to European Union markets. Brexit could lead to potentially divergent laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Furthermore, if the transition period were to end without a comprehensive trade agreement, the United Kingdom's and Europe's economic growth may be negatively impacted. The uncertainty regarding the terms of the United Kingdom's future relationship with the European Union, as well as any adverse effect which it may have on the United Kingdom, the European Union and the wider global economy could adversely affect global economic or market conditions and investor confidence. This could, in turn, have a material adverse effect on our operations, financial condition and prospects and/or the market value of our securities.

The COVID-19 pandemic has spread quickly and is expected to have a significant effect on demand in 2020. Business operations around the world are being affected with factory disruptions and closures, quarantined workers and shortages of components, with a direct impact on the availability of goods and services. These disruptions to global supply chains could impact businesses generally and weaken demand from consumers. The effects cannot be foreseen and are expected to lead to a global economic slowdown in 2020.

Additionally, economic conditions in Brazil may also be affected by political developments in the United States and elsewhere, such as the United States presidential election taking place in November 2020. We cannot assure you that any developments in the United States or elsewhere will not materially and adversely affect us in the future.

***A reduction in the volume of foreign investments in Brazil may have a negative impact on us.***

Any reduction in the volume of foreign investments in Brazil may have an impact on the balance of payments, which may force the Brazilian government to have a greater need to raise funds, both in the domestic and in the international markets, at higher interest rates. Likewise, any significant increase in Brazilian inflation rates and the current slowdowns of the European and American economies may have a negative impact on the Brazilian economy and affect interest rate levels, raising expenses on loans already obtained and costs of new funding from resources by Brazilian companies, including us.

***We have operations in Argentina and risks related to Argentina's political and economic conditions may adversely affect our business, results of operations and financial condition.***

We have operations in Argentina. Argentina is an emerging economy and investing in such markets generally carries risks. These risks include political, social and economic instability that may affect Argentina's economic results. In the past, instability in Argentina has been caused by many different factors, including the following:

- adverse external economic events or factors;
- fiscal deficits;
- inconsistent fiscal and monetary policies;
- dependence on external financing;
- changes in governmental economic or tax policies;
- high levels of inflation;
- abrupt changes in currency values;
- high interest rates;
- wage increases and price controls;
- exchange and capital controls;
- political and social unrest;
- fluctuations in central bank reserves; and
- restrictions on exports and imports.

Any of the above factors either individually or taken together could have adverse consequences on the Argentine economy as well as on our business, results of operations and financial condition.

***Political and economic instability in Argentina, similar to what has been experienced in the recent past, may have an adverse effect on the Argentine economy and our business, results of operations and financial condition.***

Argentina has a history of political and economic instability that often results in abrupt changes in government policies. Argentine governments have pursued different, and often contradictory, policies to those of preceding administrations. In recent decades, succeeding administrations have implemented interventionist policies, which included nationalization, debt renegotiation, price controls, and exchange restrictions, as well as market-friendly policies, such as export tax reductions, elimination of currency controls, deregulation of utility prices, negotiation of free trade agreements and implementation of pro-investor initiatives.

Argentina's political and social environment has historically influenced, and continues to influence, the performance of the country's economy. Political and social crises have affected and continue to affect the confidence of investors and the general public, which has historically resulted in economic deceleration and heightened volatility in securities with underlying Argentine risk. The recent political instability in Argentina has contributed to a decline in market confidence in the Argentine economy. Weak macroeconomic conditions in Argentina may continue in the upcoming years.

As in the recent past, Argentina's economy may be adversely affected if political and social pressures inhibit the implementation of certain policies designed to control inflation and the fiscal deficit, generate growth and enhance consumer and investor confidence, or if policies implemented by Argentina that are designed to achieve these goals are not successful.

In October 2019, Argentine presidential, legislative and certain provincial and municipal governments elections were held and the new administration took office on December 10, 2019. Certain members of the current government coalition were part of administrations which in the past were characterized by high levels of government intervention and policies at times disadvantageous to investors and the private sector. As a result, there is uncertainty regarding the policies and changes in regulation that the new Argentine government will implement. On December 23, 2019, the new Argentine government passed a law granting emergency powers to the executive branch, among other measures. We cannot predict what policies the new Argentine government will implement under these emergency powers. Argentina has experienced high levels of inflation in recent decades. Argentina's historically high rates of inflation resulted mainly from its lack of control over fiscal policy and the money supply. Argentina continues to face high inflationary pressures. According to the INDEC (*Instituto Nacional de Estadísticas y Censos*, or the National Statistics and Census Institute), Argentine GDP contracted by 2.1% in 2016, grew by 2.7% in 2017 and contracted by 2.5% in 2018. According to preliminary estimations published by the INDEC, Argentina's real GDP decreased by 2.2% during 2019.

We cannot provide assurance that the Argentine government will not adopt policies, over which we have no control, that adversely affect the Argentine economy and impair our Argentine operations and our business, financial condition or results of operations. Inflation, any decline in GDP and/or other future economic, social and political developments in Argentina, over which we have no control, may adversely affect our financial condition or results of operations.

Last month, the Argentine government issued regulations regarding price controls, exchange and capital controls, restrictions on exports and imports and intervention in companies.

***Future governmental policy and regulations may adversely affect our operations and profitability.***

Our activities may be materially affected by policies and regulations from Brazilian and foreign federal, state and municipal government, including without limitation measures taken by such governments to address the health and economic crises resulting from the COVID-19 pandemic. Governmental policies affecting economic activity such as tariffs, taxes, subsidies and restrictions on the import and export of products may influence our profitability.

Among other governmental measures adopted and additional legislation recently enacted to deal with the issues caused by the COVID-19 pandemic, the President of Brazil has recently sanctioned the Bill No. 1,179/2020, converted into Law No. 14,010/20, to implement the emergency and transitory legal regime applicable in Brazil during the COVID-19 pandemic. Adjustments to corporate law, civil procedure deadlines and rules, LGPD effectiveness, antitrust rules, consumer and retail law, and real estate rules are among the matters approached by such new law. We are currently evaluating the impacts from such emergency and transitory legal regime, as well as other regulation enacted in this period, in our operations and ongoing transactions in Brazil.

Future Brazilian and foreign governmental policies may adversely affect the supply, demand and prices of our products and services or otherwise restrict our capacity to operate in our current or prospective markets, potentially affecting our financial performance.

***Changes in taxes and other assessments may adversely affect us.***

The legislatures and tax authorities in the tax jurisdictions in which we operate regularly enact reforms to the tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in tax rates and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated

governmental purposes. In addition, the interpretation of tax laws by courts and taxation authorities is constantly evolving. In Brazil and Argentina, the tax system is highly complex and the interpretation of the tax laws and regulations is commonly controversial. The effects of these changes and any other changes that result from enactment of additional tax reforms or changes to the manner in which current tax laws are applied cannot be quantified and there can be no assurance that any such reforms or changes would not have an adverse effect upon our business.

In particular, Latin American governments have often increased taxes or changed tax legislation as a response to macroeconomic crises or other developments affecting their respective jurisdictions, including Argentina, which has recently made changes to its tax legislation.

The Brazilian government regularly implements changes to tax regimes that may increase the tax burden on us, our subsidiaries and jointly-controlled entities and their respective customers. These changes include modifications in the rate of assessments and the enactment of new or temporary taxes, the proceeds of which are earmarked for designated governmental purposes. As part of the 2018 presidential campaign of the new government, it was proposed by Mr. Paulo Guedes, currently economy minister, to revoke the income tax exemption over the distribution of dividends, which, if promulgated, would increase tax expenses associated with any dividends or distributions, which could impact our ability to pay dividends and receive future dividends from our subsidiaries. Any purported tax reform, if proposed and implemented, may also significantly impact our business.

Any future changes in tax policy or laws may adversely affect our business, financial condition and results of operations.

***If we do not successfully comply with laws and regulations designed to prevent governmental corruption and bribery in countries in which we operate and sell our products (notably Brazil), we could become subject to fines, penalties or other regulatory sanctions, which could cause our sales and profitability to be materially reduced.***

Our anti-corruption and anti-bribery policies and procedures designed to prevent governmental corruption violations may not prevent our management, employees or third parties acting on our behalf in the countries in which we operate from taking actions that violate applicable laws and regulations on improper payments to government officials for the purpose of obtaining or keeping business or business advantages. Laws prohibiting such behaviors include (but are not limited to) laws relating to the OECD's 1997 Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, such as the U.S. Foreign Corrupt Practices Act and Brazilian Law No. 12,846/2013, or the "Anticorruption Act," which has been in effect since January 29, 2014. Any breach thereof may have a material adverse effect on our business, results of operations and financial condition, including access to financing, as well as the acceleration of loans and financing.

The Anticorruption Act imposes strict liability on companies for acts of corruption, fraud or manipulation of public tenders and government contracts, and interference with investigations or inspections by governmental authorities. Companies found liable under the Anticorruption Act face fines of up to 20% of their gross revenue in the immediately preceding year or, if such annual gross revenue cannot be estimated, such fines may range from R$6,000 to R$60 million, which, in any case, can never be inferior to the undue advantage obtained by the guilty party. Among other sanctions, the Anticorruption Act also provides for the seizure of assets or benefits obtained illegally, the suspension or partial prohibition of operations, the dissolution of the entity and/or the prohibition to receive incentives, subsidies, donations or financing from the government or from government-controlled entities for up to five years. In assessing penalties under the Anticorruption Act, Brazilian authorities may consider the adoption of an effective compliance program. Other relevant laws applicable to corruption-related violations, such as Law No. 8,492/1992, or the "Administrative Improbity Law," also provide for penalties that include the prohibition to enter into government contracts for up to 10 years.

Consequently, if we, our management, employees or third parties acting on our behalf in the countries in which we operate and sell our products become involved in any anti-corruption or criminal investigations or proceedings in connection to our business in Brazil or in any other jurisdiction, our business could be materially adversely affected.

***We are subject to anti-corruption, anti-bribery, anti-money laundering, sanctions and antitrust laws and regulations. Our violation of any such laws or regulations could have a material adverse effect on our reputation, our results of operations and our financial condition.***

We are subject to anti-corruption, anti-bribery, anti-money laundering, sanctions, antitrust and other similar laws and regulations. We are required to comply with the applicable laws and regulations of Brazil, and we may become subject to such laws and regulations in other jurisdictions. There can be no assurance that our internal policies and procedures will be sufficient to prevent or detect any inappropriate practices, fraud or violations of these laws or regulations by our affiliates, employees, officers, executives, partners, agents and service providers, nor that any such persons will not take actions in violation of our policies and procedures. Any violations by us or any of our affiliates, employees, directors, officers, partners, agents and service providers of these laws or regulations could have a material adverse effect on our business, reputation, results of operations and financial condition.

***A deterioration of global and Brazilian macroeconomic conditions may negatively impact the demand for our products.***

Global economic conditions as well as internal developments may affect the Brazilian economy and demand for our products. A substantial portion of Raízen Energia's net revenue is generated from export sales, which are typically invoiced in U.S. dollars. However, most of Raízen Energia's costs are denominated in *reais*. As a result, Raízen Energia's margins may be adversely affected by an appreciation of the real against the U.S. dollar.

In addition, both Raízen Combustíveis and Raízen Energia have indebtedness linked to certain interest rates and are therefore exposed to interest rate risk. Raízen Combustíveis and Raízen Energia's financial results may be adversely affected if interest rates were to rise.

In addition, a global or local economic recession may lead to reduced demand for our products, either as a result of lower levels of consumption or as a result protectionist measures being put in place. In both cases, the result would be a decrease in the price of Raízen Energia's products and a decrease in volumes sold by Raízen Combustíveis both within and outside of Brazil. Any such developments would have a material adverse effect on our business, financial condition and results of operations.

**Risks Relating to the Notes and the Guarantees**

***The notes may not be a suitable investment for all investors.***

Each potential investor in the notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the notes, the merits and risks of investing in the notes and the information contained in this offering memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the notes and the impact the notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the notes;
- understand thoroughly the terms of the notes and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

***Payments on the notes and the guarantees will be junior to the Issuer's and the Guarantors' secured debt obligations and effectively junior to debt obligations of non-guarantor subsidiaries.***

The notes and the guarantees will constitute the Issuer's and the Guarantors' senior unsecured obligations and will rank equal in right of payment with all of the Issuer's and the Guarantors' other existing and future senior unsecured indebtedness. Although the holders of the notes will have a direct, but unsecured claim on our assets and property, payment by us in respect of the notes will be subordinated to any of our secured debt to the extent of the assets and property securing such debt, respectively. Payment by us in respect of the notes will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of non-guarantor subsidiaries and jointly controlled companies. In addition, under Brazilian law, the Issuer's obligations under the notes and our obligations under the guarantees are subordinated to certain statutory preferences, including post-petition claims, claims for salaries, wages, secured obligations, social security, taxes, court fees and expenses, among other claims. In the event of our or the Issuer's liquidation, such statutory preferences will have preference over any other claims, including claims by any holder of the notes.

***The Issuer and the Guarantors may not have sufficient cash flow from their operations to meet their respective interest and principal payment obligations under the notes.***

The Issuer's principal business activity is to act as a financing company for our activities and operations. The Issuer has no material operational assets, and its only sources of cash flow are returns from its financing activities including any intercompany credit transactions and from capital contributions and other investments by us and our other subsidiaries. Accordingly, the Issuer does not have, and is not expected to have through the maturity date of the notes, sufficient cash flow from its operations to pay amounts due in connection with the notes, and the holders of the notes must rely predominantly on the Guarantors' operations and cash flow to repay amounts due under the notes. If the Issuer and the Guarantors' do not have sufficient cash flow from their respective activities, and if capital contributions and other investments in the Issuer are not made by the Guarantors or the Guarantors' subsidiaries, then the holders of the notes would have to rely upon claims against the Guarantors for payment under the guarantees. Payments of interest and principal by us and the Guarantors' ability to meet their obligations pursuant to the indenture are subject to the credit risks commonly associated with the extension of credit including, but not limited to, the risk of a deterioration of our cash flow as a result of our other repayment obligations under the various financing agreements to which we are parties. See also "—Payments on the notes and the guarantees will be junior to the Issuer's and the Guarantors' secured debt obligations and effectively junior to debt obligations of non-guarantor subsidiaries."

***Changes in our credit ratings may adversely affect the value of the notes.***

The credit ratings of the notes reflect certain analysis conducted by credit rating agencies and do not address all material risks relating to an investment in the notes. The ratings assigned to the notes could be lowered, suspended or withdrawn entirely by the rating agencies if, in each rating agency's judgment, circumstances warrant such action. We cannot assure you that such credit ratings will remain in effect for any given period of time. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect the market value of the notes. In addition, during the period that the guarantees are outstanding, any actual or anticipated changes or downgrades in our credit ratings, including any announcement that its ratings are under further review for a downgrade, could affect the market value of the notes.

***Restrictions on the movement of capital out of Brazil may impair the ability of holders of the notes to receive payments on the notes.***

Brazilian law provides that whenever there is a serious imbalance in Brazil's balance of payments or reasons to foresee a serious imbalance, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil. We cannot assure you that mechanisms for the transfer of *reais* and conversion into U.S. dollars will continue to be available at the time we are required to perform our obligations under the notes or the indenture or that a more restrictive control policy, which could affect our ability to make payments under the notes or the indenture in U.S. dollars, will not be instituted in the future. If such financial mechanisms are not available, we may have to rely on a special authorization from the Central Bank to make payments under the notes in U.S. dollars or, alternatively, be required to make such payments with any funds that we hold outside Brazil. We cannot assure you that any such Central Bank approval would be obtained or that such approval would be obtained on a timely basis or that it will have such funds available.

***We may not have the ability to raise the funds necessary to finance any change of control offer required by the indenture governing the notes.***

Upon the occurrence of certain specific change of control events, we will be required to offer to repurchase all outstanding notes at 101% of the principal amount thereof plus accrued and unpaid interest to the date of repurchase. However, it is possible that we will not have sufficient funds at the time of any such change of control event to make the required repurchase of the notes. In addition, our existing and future indebtedness may contain prohibitions on the occurrence of events that would constitute a change of control or require such indebtedness to be repurchased upon a change of control. Moreover, the exercise of the right of the holders of the notes to require us to repurchase the notes upon a change of control event may cause a default under such indebtedness even if the change of control event itself does not. Accordingly, we may not be able to satisfy our obligations to purchase the notes unless we are able to refinance or obtain waivers under such indebtedness. The failure to repurchase the notes upon a change of control event would result in an event of default under the indenture governing the notes. In addition, certain important corporate events, such as leveraged recapitalizations, that would increase the level of our indebtedness may not constitute a change of control event under the indenture governing the notes. Therefore, if an event occurs that does not constitute a change of control event under the indenture, we will not be required to make an offer to repurchase the notes and the holders may be required to continue to hold the notes despite such event.

***No assurance can be given that a judgment of a court for liabilities under the securities laws of a jurisdiction outside Brazil would be enforceable in Brazil, or that an original action can be brought in Brazil against the Guarantors for liabilities under applicable securities laws.***

We are incorporated under the laws of Brazil, and substantially all of our assets are located in Brazil. All or substantially all of our directors, executive officers and certain advisers named herein reside in Brazil. As a result, it may not be possible for investors to effect service of process within the United States upon us or our respective directors, executive officers and advisers or to enforce against us in U.S. courts any judgments predicated upon the civil liability provisions of the applicable securities laws. For further information, see “Enforceability of Civil Liabilities.”

***Luxembourg bankruptcy laws may be less favorable to you than bankruptcy and insolvency laws in other jurisdictions.***

The Issuer is a public limited liability company (*société anonyme*) organized and existing under the laws of Luxembourg, and as such any insolvency proceedings applicable to such a company are in principle governed by Luxembourg law. The insolvency laws of Luxembourg may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar. For further information, see “Enforceability of Civil Liabilities—Insolvency Proceedings in Luxembourg.”

In addition, certain creditors of the issuer may hold security rights (rights in rem) over certain financial instruments (including negotiable instruments or other financial instruments), which upon the inception of insolvency proceedings may, subject to legal reservations, have priority in enforcement when compared to the rights of unsecured creditors (including the holders of the notes). For further information with respect to security documents qualifying as financial collateral arrangements in Luxembourg, see “Enforceability of Civil Liabilities—Insolvency Proceedings in Luxembourg.”

***Brazilian bankruptcy laws may be less favorable to you than bankruptcy and insolvency laws in other jurisdictions.***

If we are unable to pay amounts due under our guarantee, then we may become subject to bankruptcy proceedings in Brazil. The bankruptcy laws of Brazil currently in effect are significantly different from, and may be less favorable to creditors than, those of certain other jurisdictions. Noteholders may have limited rights at creditors’ meetings in the context of a court reorganization proceeding. In the event of our bankruptcy, all of our debt obligations, that are denominated in foreign currency, including the notes, will be converted into *reais* at the prevailing exchange rate on the date of declaration of our bankruptcy by the court. We cannot assure you that such rate of exchange will afford you full compensation of the amount invested in the notes plus accrued interest.

In addition, creditors of the guarantors may hold negotiable instruments or other instruments governed by local law that grant rights to attach the assets of the guarantors at the inception of judicial proceedings in the relevant

jurisdiction, which attachment is likely to result in priorities benefitting those creditors when compared to the rights of holders of the notes.

***Judgments of Brazilian courts enforcing our obligations under the notes are payable only in Brazilian reais.***

As of this date, if proceedings were brought in the courts of Brazil seeking to enforce our obligations under the notes, we would be required to discharge our obligations in *reais*. Any judgment obtained against us in Brazilian courts in respect of any payment obligations under the notes will be expressed in *reais* equivalent to the U.S. dollar amount of such payment at the exchange rate published by the Central Bank on (1) the date of actual payment, (2) the date on which such judgment is rendered or (3) the actual due date of the obligations, in which case the amount would be subject to a monetary adjustment as determined by the relevant court. There can be no assurance that such rate of exchange will afford you full compensation of the amount invested in the notes plus accrued interest. For further information, see "Enforceability of Civil Liabilities—Brazil."

***You may be unable to recover damages in civil proceedings for U.S. securities laws violations.***

The Issuer is organized under the laws of Luxembourg and the Guarantors are organized under the laws of Brazil. Neither the Issuer nor the Guarantors have any assets in the United States, except for a small Raízen Trading office in Houston, Texas. It is anticipated that some or all of the directors and executive officers of the Issuer and the Guarantors will be nonresidents of the United States and that all or a majority of their assets will be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, the Guarantors or their respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws.

In addition, the Issuer cannot assure you that civil liabilities predicated upon the federal securities laws of the United States will be enforceable in Luxembourg. See "Enforceability of Civil Liabilities—Enforcement of Judgments in Luxembourg."

***The Issuer is organized in Luxembourg, and Luxembourg law differs from U.S. law and may afford less protection to holders of the Notes.***

Holders of the notes may have more difficulty protecting their interests than would security holders of a corporation incorporated in a jurisdiction of the United States. As a Luxembourg company, the Issuer is organized under and subject to the Luxembourg Companies Act, and other provisions of Luxembourg law. The Luxembourg Companies Act differs in some material respects from laws generally applicable to U.S. corporations and security holders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, security holder lawsuits and indemnification of directors.

Under Luxembourg law, the duties of directors, managers and officers of a company are generally owed to the company only. Holders of notes issued by Luxembourg companies generally do not have rights to take action against directors, managers or officers of the company, except in limited circumstances. Directors, managers or officers of a Luxembourg company must, in exercising their powers and performing their duties, act in good faith and in the interests of the company as a whole and must exercise due care, skill and diligence. Directors have a duty not to put themselves in a position in which their duties to the company and their personal interests may conflict and are also under a duty to disclose any personal interest in any contract or arrangement with the company or any of its subsidiaries. If a director or officer of a Luxembourg company is found to have breached his or her duties to that company, he or she may be held personally liable to the company in respect of that breach of duty and in accordance with the provisions of the Luxembourg Companies Act. A director or manager may be jointly and severally liable with other directors or managers implicated in the same breach of duty.

***We cannot assure you that an active trading market for the notes will develop.***

The initial notes are currently listed on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF. We will apply for admission of the new notes to list on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF, but we cannot provide you with any assurances that the application will be accepted. Furthermore, no assurance can be provided regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes or the price at which such holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price of the notes depending on many factors, including prevailing interest rates, our results of operations and

financial condition, prospects for other companies in our industry, political and economic developments in and affecting Brazil, risks associated with Brazilian issuers of such type of securities and the market for similar securities. If an active market for the notes is interrupted, the market price and liquidity of the notes may be adversely affected.

***Transfer of the notes will be restricted.***

We have not registered and do not intend to register the offer and sale or resale of the notes under the Securities Act or the securities laws of any jurisdiction. The holders of the notes may not offer or sell the notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable securities laws. The holders of the notes should read the disclosures in the section "Transfer Restrictions" for further information about these and other transfer restrictions. It is the holder's obligation to ensure that offers and sales of notes comply with applicable securities laws.

***A finding that a guarantee of the notes was a fraudulent conveyance could result in noteholders losing their legal claim against the relevant Guarantors.***

The Issuer's obligation to make payments on the notes is supported by the guarantees on such notes. In the event that Brazilian or U.S. fraudulent conveyance or similar laws are applied to the guarantees and at the time the Guarantors entered into such guarantees, we:

- were rendered insolvent by reason of our entering into such guarantees;
- were engaged in business or transactions for which the assets remaining with us constituted unreasonably low capital;
- intended to incur, or believed that we would incur, debts beyond our ability to pay such debts as they mature; or
- received less than reasonably equivalent value or fair consideration in exchange for such guarantee.

Then the obligations of the Guarantors under their respective guarantee could be voided, or claims in respect of the guarantee could be subordinated to the claims of other creditors. A legal challenge to a guarantee on fraudulent conveyance grounds may focus, among other claims, on the benefits, if any, realized by such guarantor as a result of the issuance of the notes so guaranteed. If a guarantee is held to be a fraudulent conveyance or unenforceable for any other reason, the holders of the notes would not have a claim against the Guarantors, under the applicable guarantee, or such claim could be subordinated to claims of other creditors of the Guarantors, as applicable, and would solely have a claim against the Issuer. The Issuer and the Guarantors cannot assure you that, after providing for all prior claims, there will be sufficient assets to satisfy the claims of the noteholders relating to any voided portion of the guarantees.

## USE OF PROCEEDS

Our gross proceeds from this offering are expected to be U.S.$233.5 million.

We expect to use the net proceeds from this offering for general corporate purposes.

## THE ISSUER

### *General*

Raizen Fuels Finance S.A., a public limited liability company (*société anonyme*) organized and existing under the laws of Luxembourg since January 20, 2014, having its registered office at 14, Rue Edward Steichen, L- 2540 Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B 184.033, is a wholly-owned subsidiary of Raízen Energia.

The Issuer has published unaudited financial statements as required under the Luxembourg Companies Act.

The Issuer is managed by a board of directors currently consisting of five directors (*administrateurs*) (the articles of association of the Issuer require that there be at least three directors at any one time). The Issuer is unaware of any conflicts of interest between the duties that any director owes to the Issuer and such director's private interests or other duties. The directors of the Issuer are David Carelli (Class A director), Nicoletta Leone (Class A director), Fabrizio Terenziani (Class A director), Rodrigo Cesar Caldas de Sá (Class B director) and Demetrio Antonio De Toledo Magalhaes Filho (Class B director). The directors of the Issuer reside in Brazil and Luxembourg.

The share capital of the Issuer is set at U.S.$30,000, represented by 30,000 shares in registered form, having a nominal value of U.S.$1 each.

The board of directors of the Issuer is authorized, for a period of five years from the date of the publication of the articles of association, to:

- increase the current share capital once or more by an amount of up to U.S.$1 million, by the issue of new shares having the same rights as the existing shares;
- limit or withdraw the shareholders' preferential subscription rights to the new shares and determine the persons who are authorized to subscribe to the new shares; and
- record each share capital increase by way of a notarial deed and amend the share register accordingly.

The Issuer does not have subsidiaries or any equity investments. The Issuer may have subsidiaries and other equity investments in the future.

The articles of association of the Issuer have been published in the *Mémorial C, Recueil des Sociétés et Associations* number 745 of March 22, 2014 and the latest amendment to its articles of association has been published in the *Recueil Electronique des Sociétés et Associations* number RESA_2020_097_445 on 30, April 2020. The latest coordinated articles of association of the Issuer have been filed with the Luxembourg Register of Commerce and Companies on June 8, 2020.

The Issuer's corporate object and principal activity essentially consists of the acquisition of participations, in Luxembourg or abroad, in any company or enterprise in any form whatsoever, and the management of those participations. For a detailed description of the Issuer's corporate objects, see Article 3 of the Issuer's articles of association.

### *History*

The Issuer was originally incorporated in the Cayman Islands. In January 2014, the Issuer migrated to the Grand Duchy of Luxembourg. In September 2016, Raízen Energia S.A. transferred its entire equity interest in Raizen Luxembourg S.A. (formerly known as Raizen Cayman Limited) to the Issuer, following which Raizen Luxembourg S.A. was merged into the Issuer and Raízen Combustíveis S.A. transferred the entirety of its interest in the Issuer to Raízen Energia S.A. As a result, Raízen Energia S.A. became the sole shareholder in the Issuer.

## EXCHANGE RATES

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely, which resulted in increasing exchange rate volatility. The Central Bank has intervened occasionally to attempt to control instability in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to allow the real to float freely or will intervene in the exchange rate market by re-implementing a currency band system or otherwise. The *real* may depreciate or appreciate substantially against the U.S. dollar in the future. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian government in the future. On June 30, 2020, the exchange rate was R$5.4760 to U.S.$1.00.

The following tables set forth the selling rate, expressed in *reais* per U.S. dollar (R$/U.S.$), for the periods indicated:

| Year | Period-end | Average(1) | Low | High |
|---|---|---|---|---|
| 2015 | 3.905 | 3.330 | 2.575 | 4.195 |
| 2016 | 3.259 | 3.512 | 3.119 | 4.156 |
| 2017 | 3.308 | 3.193 | 3.051 | 3.381 |
| 2018 | 3.875 | 3.653 | 3.139 | 4.188 |
| 2019 | 4.031 | 3.945 | 3.652 | 4.260 |

| Month | Period-end | Average(2) | Low | High |
|---|---|---|---|---|
| January 2020 | 4.2695 | 4.1495 | 4.0213 | 4.2695 |
| February 2020 | 4.4987 | 4.3410 | 4.2381 | 4.4987 |
| March 2020 | 5.1987 | 4.8839 | 4.4883 | 5.1987 |
| April 2020 | 5.4270 | 5.3256 | 5.0779 | 5.6510 |
| May 2020 | 5.4263 | 5.6434 | 5.2992 | 5.9372 |
| June 2020 (through June 30, 2020) | 5.4760 | 5.1966 | 4.8894 | 5.4760 |

Source: Central Bank.

(1) Represents the average of the exchange rates on the closing of each day during the year.

(2) Represents the average of the exchange rates on the closing of each day during the month or partial month of 2020.

## CAPITALIZATION

The following table sets forth our combined consolidated shareholders' equity and total capitalization as of March 31, 2020:

- on an actual basis;
- as adjusted to reflect the incurrence of indebtedness in an aggregate amount of R$2,184.7 million from our new financing agreements discussed under "Summary—Recent Developments—New Financings;" and
- as further adjusted to reflect the amount of net proceeds from the offering, after deducting all estimated underwriting discounts, commissions and estimated expenses from the offering.

You should read this table in conjunction with "Selected Combined Consolidated Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this offering memorandum.

| **Combined Consolidated** | **As of March 31, 2020** | | | | | |
|---|---|---|---|---|---|---|
| | **Actual** | | **As Adjusted(2)** | | **As Further Adjusted(3)** | |
| | **(in U.S.$)(1)** | **(in R$)** | **(in U.S.$)(1)** | **(in R$)** | **(in U.S.$)(1)** | **(in R$)** |
| | | | **(in millions)** | | | |
| Non-current loans and financing | 3,845.8 | 19,993.2 | 4,266.1 | 22,177.9 | 4,497.9 | 23,383.4 |
| Shareholders' equity | 2,256.4 | 11,730.1 | 2,256.4 | 11,730.1 | 2,256.4 | 11,730.1 |
| **Total capitalization(3)** | **6,102.2** | **31,723.3** | **6,522.5** | **33,908.0** | **6,754.3** | **35,113.5** |

(1) We have converted the amounts included in the tables above from *reais* into U.S. dollars using the exchange rate as of March 31, 2020 of R$5.1987 to U.S.$1.00, which was the commercial selling exchange rate reported by the Central Bank. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

(2) As adjusted to reflect the proceeds from the issuance or draw down of certain indebtedness since March 31, 2020 in the total aggregate amount of R$2,184.7 million discussed under "Summary—Recent Developments—New Financings."

(3) As further adjusted to reflect the amount of net proceeds from the offering of U.S.$231.8 million (R$1,205.5 million) after deducting all estimated underwriting discounts, commissions and estimated expenses from the offering in the amount of U.S.$1.6 million (R$8.5 million).

(4) Total capitalization is the sum of our non-current loans and financing plus shareholders' equity.

Other than as described above, there has been no material change in our capitalization since March 31, 2020.

## SELECTED COMBINED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present a summary of our combined consolidated financial and other information derived from (1) our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2020 (with the corresponding figures for the fiscal year ended March 31, 2019) and (2) our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2019 (with the corresponding figures for the fiscal year ended March 31, 2018).

You should read and analyze the information below in conjunction with our combined consolidated financial statements and related explanatory notes included elsewhere in this offering memorandum, as well as the sections "Presentation of Financial and Certain Other Information," "Summary Combined Consolidated Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

### Combined Consolidated Statements of Income Data

The following table sets forth certain data from our statements of income data for each of the periods presented:

| | For the Fiscal Year Ended March 31, | | | |
|---|---|---|---|---|
| | 2020(1) | 2020 | 2019 | 2018 |
| | (in U.S.$, except operating data) | (in R$, except operating data) (in millions, except as otherwise indicated) | | |
| **Combined Consolidated Statements of Income Data:** | | | | |
| Net operating revenue | 23,194.4 | 120,580.6 | 103,973.0 | 86,261.2 |
| Cost of products sold and services provided | (21,795.6) | (113,308.7) | (98,008.5) | (80,050.3) |
| **Gross income** | **1,398.8** | **7,271.9** | **5,964.5** | **6,210.9** |
| Operating revenue (expenses): | | | | |
| Selling | (594.4) | (3,090.2) | (2,526.6) | (2,139.2) |
| General and administrative | (237.8) | (1,236.5) | (1,152.1) | (1,095.2) |
| Other operating revenue, net | 413.0 | 2,147.3 | 1,252.0 | 622.1 |
| Equity accounting result | (3.0) | (15.8) | 31.0 | (21.4) |
| **Total net operating expenses** | **(422.2)** | **(2,195.2)** | **(2,395.7)** | **(2,633.8)** |
| Income before financial results and income tax and social contribution | 976.5 | 5,076.7 | 3,568.8 | 3,577.1 |
| Financial results: | | | | |
| Financial expenses | (379.6) | (1,973.6) | (1,470.9) | (904.4) |
| Financial revenues | 103.1 | 536.0 | 610.3 | 619.1 |
| Net exchange variation | (785.2) | (4,081.9) | (781.3) | (324.9) |
| Net effect of the derivatives | 751.0 | 3,904.4 | 850.3 | 187.1 |
| **Total financial results** | **(310.7)** | **(1,615.1)** | **(791.6)** | **(423.1)** |
| Income before income tax and social contribution | 665.9 | 3,461.6 | 2,777.2 | 3,154.0 |
| Income tax and social contribution: | | | | |
| Current | (258.9) | (1,345.8) | (548.2) | (963.0) |
| Deferred | 53.9 | 280.0 | 6.2 | 119.9 |
| **Total income tax and social contribution** | **(205.0)** | **(1,065.8)** | **(542.0)** | **(843.0)** |
| **Net income** | **460.9** | **2,395.6** | **2,235.2** | **2,310.9** |
| Attributable to: | | | | |
| Controlling shareholders | 433.3 | 2,252.5 | 2,176.4 | 2,249.8 |
| Non-controlling shareholders | 27.5 | 143.2 | 58.7 | 61.1 |
| | **460.9** | **2,395.6** | **2,235.2** | **2,310.9** |
| **Combined Consolidated Other Financial Data:** | | | | |
| Depreciation and amortization | 760.2 | 3,951.9 | 2,452.7 | 2,742.3 |
| Adjusted EBITDA(2) | 1,315.6 | 6,839.6 | 6,112.7 | 7,107.6 |
| Net Debt(3) | 2,494.6 | 12,968.7 | 9,861.7 | 7,807.3 |

| | For the Fiscal Year Ended March 31, | | | |
|---|---|---|---|---|
| | 2020(1) | 2020 | 2019 | 2018 |
| | (in U.S.$, except operating data) | (in R$, except operating data) | | |
| | | (in millions, except as otherwise indicated) | | |
| Net Debt to EBITDA Ratio(4) | 189.6% | 189.6% | 161.3% | 109.8% |
| Working capital(5) | 569.9 | 2,962.9 | 4,715.4 | 6,531.8 |
| Net cash generated by (used in): | | | | |
| Operating activities | 1,498.3 | 7,789.4 | 6,386.7 | 6,389.0 |
| Investing activities | (976.8) | (5,078.1) | (3,614.1) | (3,954.0) |
| Financing activities | (174.5) | (907.5) | (881.0) | (2,006.5) |
| Dividends and interest on own capital | (507.4) | (2,637.8) | (2,274.4) | (3,092.9) |
| **Other Operating Data:** | | | | |
| Crushed sugarcane (in million tons) | | 59.6 | 59.7 | 61.2 |
| Sugar production (in thousand tons) | | 3,792 | 3,671 | 4,294 |
| Ethanol production (in billion liters) | | 2,498 | 2,515 | 2,206 |
| Cogeneration (GWh) | | 2,149 | 2,364 | 2,390 |
| Volume of fuel sold (in million liters) | | 4,983 | 2,719 | 81 |
| Volume of sugar sold (in thousand tons) | | 3,900 | 3,692 | 4,683 |
| Volume of ethanol sold (in million liters) | | 5,325 | 4,852 | 4,335 |
| Energy sold (thousand MWh) | | 26,878 | 16,692 | 3,928 |

(1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the U.S. dollar selling rate reported by the Central Bank as of March 31, 2020 of R$5.1987 per U.S.$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

(2) We define Adjusted EBITDA as EBITDA excluding biological assets variations, debt hedge accounting, sugar foreign exchange impacts, asset sales, IFRS 16 effects and certain non-recurring effects, including the sale of interest in subsidiaries. We define EBITDA as our combined consolidated net income plus combined consolidated financial results, combined consolidated income and social contributions taxes and combined consolidated depreciation and amortization included in any of the foregoing expenses. See "—Other Financial Data—Reconciliation of Net Income to EBITDA and Adjusted EBITDA" for a reconciliation of our combined consolidated net income to EBITDA. EBITDA is a non-GAAP measure. See "—Other Financial Data—Reconciliation of Net Income to EBITDA and Adjusted EBITDA" for a reconciliation of our combined consolidated net income to Adjusted EBITDA. Adjusted EBITDA is a non-GAAP measure.

(3) We define Net Debt as current and non-current loans and financing, net of cash and cash equivalents, securities, investments linked to financing, derivative assets or liabilities related to foreign exchange rate risk and interest rate risk and other financial assets (e.g., CTNs related to PESA). See "—Other Financial Data—Reconciliation of Total Indebtedness to Net Debt" for a reconciliation of Net Debt to our total indebtedness. Net Debt is a non-GAAP measure.

(4) Net Debt to EBITDA Ratio is the ratio of: (a) the aggregate amount of Net Debt as of the end of the period to (b) EBITDA for the relevant period. This ratio is presented for illustrative purposes only. Net Debt to EBITDA Ratio is a non-GAAP measure.

(5) Working capital consists of total current assets less total current liabilities.

**Combined Consolidated Statements of Financial Position Data**

The following table sets forth certain data from our combined consolidated statements of financial position data for each of the periods presented:

| | As of March 31, | | | |
|---|---|---|---|---|
| | 2020(1) | 2020 | 2019 | 2018 |
| | (in U.S.$) | (in R$) | | |
| | | (in millions) | | |
| **Balance Sheet Data:** | | | | |
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | 1,654.6 | 8,601.7 | 5,740.0 | 3,663.2 |
| Securities | 7.5 | 39.1 | 268.4 | 1,078.9 |
| Restricted cash | 40.6 | 211.1 | 275.7 | 143.6 |
| Derivative financial instruments | 964.9 | 5,016.3 | 797.4 | 228.1 |
| Trade accounts receivable | 567.5 | 2,950.3 | 3,360.4 | 2,756.8 |
| Inventories | 1,045.5 | 5,435.2 | 4,051.8 | 2,552.5 |
| Related parties | 151.5 | 787.8 | 962.9 | 709.0 |
| Other financial assets | 60.5 | 314.3 | 306.5 | 408.4 |
| Recoverable income tax and social contribution | 149.8 | 778.7 | 1,018.9 | 887.4 |
| Recoverable taxes | 449.2 | 2,335.0 | 1,831.2 | 628.4 |
| Assets from contracts with clients | 91.4 | 475.3 | 429.7 | — |
| Biological assets | 172.6 | 897.3 | 814.0 | 947.8 |
| Other receivables | 91.0 | 473.0 | 465.3 | 346.9 |
| **Total current assets** | **5,446.6** | **28,315.2** | **20,322.2** | **14,351.0** |
| **Non-current assets** | | | | |
| Trade accounts receivable | 66.7 | 347.0 | 514.5 | 447.9 |
| Deferred income tax and social contribution | 246.2 | 1,279.9 | 507.7 | 158.3 |
| Derivative financial instruments | 601.7 | 3,128.1 | 856.9 | 273.8 |
| Related parties | 243.3 | 1,264.9 | 1,353.8 | 1,329.5 |
| Recoverable income tax and social contribution | 104.2 | 541.8 | 441.8 | 300.9 |
| Recoverable taxes | 186.1 | 967.4 | 462.1 | 337.5 |
| Judicial deposits | 90.7 | 471.8 | 449.1 | 406.9 |
| Other financial assets | 49.8 | 258.8 | 527.0 | 502.4 |
| Assets from contracts with clients | 402.4 | 2,091.9 | 2,000.1 | — |
| Rights of use | 980.9 | 5,099.4 | — | — |
| Other receivables | 71.6 | 372.0 | 249.9 | 181.6 |
| Investments | 254.9 | 1,325.2 | 573.2 | 346.5 |
| Property, plant and equipment | 3,300.8 | 17,160.0 | 15,334.5 | 11,304.7 |
| Intangible assets | 572.5 | 2,976.2 | 2,968.2 | 4,689.9 |
| **Total non-current assets** | **7,171.8** | **37,284.4** | **26,238.7** | **20,279.9** |
| **Total assets** | **12,618.5** | **65,599.4** | **46,561.0** | **34,630.9** |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Loans and financing | 1,026.0 | 5,334.1 | 1,922.7 | 1,532.0 |
| Derivative financial instruments | 700.2 | 3,640.4 | 698.7 | 142.3 |
| Suppliers | 1,967.2 | 10,227.0 | 8,025.6 | 3,743.6 |
| Payroll and related charges payable | 120.7 | 627.5 | 543.8 | 553.5 |

| | As of March 31, | | | |
|---|---|---|---|---|
| | 2020(1) | 2020 | 2019 | 2018 |
| | (in U.S.$) | (in R$) | | |
| | | (in millions) | | |
| Income tax and social contribution payable | 44.1 | 229.1 | 99.6 | 97.2 |
| Taxes payable | 85.6 | 444.9 | 487.9 | 276.1 |
| Dividends and interest on own capital payable | 18.4 | 95.5 | 37.6 | 23.4 |
| Related parties | 287.6 | 1,494.9 | 2,881.8 | 781.4 |
| Advances from clients | 46.1 | 239.5 | 96.4 | 51.7 |
| Lease liabilities | 226.0 | 1,174.8 | — | — |
| Other liabilities | 354.8 | 1,844.5 | 812.9 | 618.0 |
| **Total current liabilities** | **4,876.7** | **25,352.2** | **15,606.7** | **7,819.2** |
| **Non-current liabilities** | | | | |
| Loans and financing | 3,845.8 | 19,993.3 | 15,341.6 | 11,986.3 |
| Derivative financial instruments | 20.8 | 108.1 | 43.7 | 199.6 |
| Taxes payable | 35.9 | 186.6 | 188.8 | 183.4 |
| Related parties | 200.1 | 1,040.4 | 421.0 | 406.1 |
| Provision for legal disputes | 299.9 | 1,558.9 | 1,477.9 | 1,260.2 |
| Deferred income tax and social contribution | 366.1 | 1,903.2 | 1,570.9 | 452.2 |
| Lease liabilities | 622.7 | 3,237.0 | — | — |
| Other liabilities | 94.2 | 489.8 | 518.3 | 490.8 |
| **Total non-current liabilities** | **5,485.4** | **28,517.3** | **19,562.2** | **14,978.6** |
| **Total liabilities** | **10,362.1** | **53,869.3** | **35,168.9** | **22,797.8** |
| **Equity** | | | | |
| Attributed to controlling shareholders | 2,186.0 | 11,364.4 | 11,115.9 | 11,607.4 |
| Interest of non-controlling shareholders | 70.3 | 365.7 | 276.1 | 225.7 |
| **Total equity** | **2,256.3** | **11,730.1** | **11,392.0** | **11,833.1** |
| **Total liabilities and equity** | **12,618.5** | **65,599.4** | **46,561.0** | **34,630.9** |

(1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the U.S. dollar selling rate reported by the Central Bank as of March 31, 2020 of R$5.1987 per U.S.$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

**Other Financial Data**

***Reconciliation of Net Income to EBITDA and Adjusted EBITDA***

The following table below sets forth a reconciliation of our combined consolidated net income to EBITDA and Adjusted EBITDA for each of the periods indicated:

| | For the Fiscal Year Ended March 31, | | | |
|---|---|---|---|---|
| | 2020(1) | 2020 | 2019 | 2018 |
| | (in U.S.$) | (in R$) | | |
| | | (in millions, except as otherwise indicated) | | |
| Net income | 460.8 | 2,395.7 | 2,235.1 | 2,311.0 |
| (+) Financial results | 310.7 | 1,615.2 | 791.6 | 423.2 |
| (+) Income tax and social contribution | 205.0 | 1,065.8 | 542.0 | 843.0 |
| (+) Depreciation and amortization | 760.2 | 3,951.9 | 2,452.7 | 2,742.3 |
| **EBITDA(2)** | **1,736.7** | **9,028.6** | **6,021.4** | **6,319.5** |
| (+) Biological Assets Effect | (2.5) | (12.9) | 261.2 | 367.4 |
| (+) Hedge account effects - Debt | — | — | — | 90.4 |
| (+) Sugar Foreign Exchange Effects | — | — | (36.4) | 640.1 |
| (+) Assets Sales | (221.2) | (1,149.9) | (123.6) | (99.9) |
| (+) IFRS 16 Effects | (231.5) | (1,203.6) | — | — |
| (+) Others | 34.1 | 177.4 | (10.0) | (209.9) |
| **Adjusted EBITDA(3)** | **1,315.6** | **6,839.6** | **6,112.7** | **7,107.6** |

(1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the U.S. dollar selling rate reported by the Central Bank as of March 31, 2020 of R$5.1987 per U.S.$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

(2) We define EBITDA as our combined consolidated net income plus combined consolidated financial results, combined consolidated income and social contributions taxes and combined consolidated depreciation and amortization included in any of the foregoing expenses. EBITDA is a non-GAAP measure.

(3) We define Adjusted EBITDA as EBITDA excluding biological assets variations, debt hedge accounting, sugar foreign exchange impacts, asset sales, IFRS 16 effects and certain non-recurring effects, including the sale of interest in subsidiaries. Adjusted EBITDA is a non-GAAP measure.

***Reconciliation of total indebtedness to Net Debt***

The table below provides a reconciliation of our total indebtedness to Net Debt as of the dates indicated:

| | As of March 31, | | | |
|---|---|---|---|---|
| | 2020(1) | 2020 | 2019 | 2018 |
| | (in U.S.$) | (in R$) | | |
| | | (in millions) | | |
| Current loans and financing | 1,026.0 | 5,334.1 | 1,922.7 | 1,532.0 |
| Non-current loans and financing | 3,845.8 | 19,993.3 | 15,341.6 | 11,986.3 |
| Cash and cash equivalents | (1,654.6) | (8,601.7) | (5,740.0) | (3,663.2) |
| Securities | (7.5) | (39.1) | (268.4) | (1,078.9) |
| Financial investments linked to financing | (9.7) | (50.5) | (57.8) | (67.8) |
| National Treasury Certificates – CTN (CTN related to PESA) | (57.2) | (297.5) | (521.9) | (827.0) |
| Derivatives financial instruments, net | (648.2) | (3,369.9) | (814.3) | (74.2) |
| **Net Debt(2)** | **2,494.6** | **12,968.7** | **9,861.9** | **7,807.2** |

(1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the U.S. dollar selling rate reported by the Central Bank as of March 31, 2020 of R$5.1987 per U.S.$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

(2) We define Net Debt as current and non-current loans and financing, net of cash and cash equivalents, securities, investments linked to financing, derivative assets or liabilities related to foreign exchange rate risk and interest rate risk and other financial assets (e.g., CTNs related to PESA). Net Debt is a non-GAAP measure.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with our combined consolidated financial statements and the related notes included elsewhere in this offering memorandum. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those set forth in the section entitled "Risk Factors" and elsewhere in this offering memorandum. You should read the following discussion in conjunction with "Forward-Looking Statements" and "Risk Factors."*

### Overview of Raízen

We are an integrated energy company, established in June 2011 as a 50%-50% joint venture between Cosan and Shell. We are among the market leaders in Brazil in the sectors in which we operate: fuel distribution, and ethanol, sugar and bioenergy production. We conduct our business in a sustainable and vertically integrated manner, and participate in all stages of the value chain from planting, harvesting and processing to storage, logistics and sales of our wide range of products. We are the fourth largest company in Brazil in terms of net revenues according to the Valor 1000 Ranking prepared by the "Valor Econômico" newspaper. Some of our key competitive strengths in our business segments include (1) large-scale production and distribution, (2) operational excellence driven by innovation and technology optimization, (3) a highly developed logistics infrastructure and integration, (4) a balanced risk profile, (5) strong brand recognition, and (6) a strong credit profile.

Our strategic goals are to be a fully integrated energy company and market leading player capable of generating sound and resilient results through our scaled business, as well as to be the efficiency benchmark in each of the sectors in which we operate.

#### *Raízen Combustíveis*

We distribute fuels in the Brazilian and Argentine markets through Raízen Combustíveis.

Raízen Combustíveis is the second largest fuel distributor in Brazil and is engaged in sourcing, storing, blending and distributing gasoline, ethanol, diesel and aviation fuel through a network of 6,578 Shell-branded retail service stations (1,067 of which feature integrated convenience stores) throughout Brazil, with consistent growth year over year. We believe our fuel distribution operations have the highest average throughput in the industry (a key metric of efficiency based on public data) in Brazil and leverage our logistics and infrastructure footprint, selected site locations, good relationships with dealers and operational excellence.

Our Argentina downstream operations are a fully integrated business, encompassing refining, marketing and distribution of a range of petroleum products to wholesale and retail customers. Raízen's Buenos Aires refinery is the second largest crude oil refinery in Argentina in terms of capacity with total nameplate capacity of 108 kbbls/day, accounting for 16% of total Argentinian refining capacity. We also have one of the largest network of retail stations in Argentina with a 21% combined gasoline and diesel market share and the highest premium penetration (34%).

Raízen Combustíveis benefits from its strategically located assets, the majority of which are concentrated near major consumer markets, allowing capture of efficiencies associated to the higher consumption patterns and lower costs due to the available fuel distribution infrastructure.

Our strategic goals are to be the preferred choice for dealers and clients and the most efficient fuel distributor (in terms of gallons per station) in the markets in which we operate. We are focused on continued retail growth, mainly through selective white pumps branding. In addition, we are also focused on the strategic positioning of our infrastructure, a key element to achieve optimal logistic and supply costs.

We are also continuously developing our non-fuels business with the aim of improving customer experience in convenience stores, in particular with the recently announced Joint Venture with Femsa Comércio, S.A. de C.V. and its subsidiaries (together, "FEMCO"), "Nós". The development of innovative payment methods and the Shell Box web-based platform is also a key element to improve customer experience, combined with an offering of premium products through our VPower portfolio.

***Raízen Energia***

We are the largest Brazilian sugarcane processing company and the largest producer-exporter of sugar. The integration, flexibility and organization of our assets in large clusters enable us to reduce our costs of production, supply and logistics and achieve economies of scale unattainable by smaller market participants.

Our core business is the production and sale of a variety of products derived from sugarcane, including anhydrous and hydrous ethanol and varieties of sugar, as well as bioenergy generated from sugarcane bagasse and ethanol trading. Raízen Energia operates 26 mills mainly located across five clusters in the Central-South region of Brazil, with a current crushing capacity of approximately 73 million tons of sugarcane per year in aggregate. Raízen Energia's production units are self-sufficient in energy consumption and 13 of them have long-term contracts for the sale of surplus power to the Brazilian national electricity grid.

Our strategic goals are to be the lowest-cost producer in the markets in which we operate, to capture incremental value in the sales value chain, expand our trading operations and to further develop our renewable energy business by leveraging on the transition towards renewable energy.

In order to achieve our goal, we are focused on delivering efficiencies through additional investments in our fields, precision agriculture and portfolio optimization, in order to achieve an optimal balance of own and third-party sugarcane and an optimal combination of mills, clustered in logistic hubs.

Our key strategic objectives also include developing alternative uses for sugarcane biomass (straw, bagasse and other byproducts) leveraging proprietary technologies (second-generation ethanol (also known as "E2G"), sugarcane pellets and vinasse biogas) to further develop opportunities in our renewable energy business, locally and globally.

**Financial Presentation and Accounting Policies**

***Presentation of Financial Statements***

The discussion in this section is based on a comparison of (1) our audited combined consolidated financial statements as of and for the fiscal years ended March 31, 2020 and 2019; and (2) our audited combined consolidated financial statements as of and for the fiscal years ended March 31, 2019 and 2018.

***Critical Accounting Policies and Estimates***

The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses at the end of the reporting period. Actual results may differ from these estimates. Such estimates and underlying assumptions are reviewed on an ongoing basis and changes are recognized in the period in which the estimates are revised and in any future periods affected.

Should there be a significant change in the facts and circumstances on which the estimates and assumptions made are based, there may be a material impact on the Raízen's results and financial position.

Summary information about critical judgments, assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognized in the combined consolidated financial statements is included as follows (see note 2.2 to our combined consolidated financial statements for the fiscal year ended March 31, 2020 included elsewhere in this offering memorandum for further information):

*Leases.* As of April 1, 2019, we prospectively adopted IFRS 16 and recognized an asset of rights of use that represents our right to use leased assets and lease liabilities representing our obligation to make lease payments. As a result, our straight-line lease expenses were replaced by amortization of these rights of use and interest expense over these lease liabilities. Although IFRS 16 changes the timing and presentation of those expenses, the overall impact on our net income will remain unaltered during the life of each contract. Determining whether a contract is or contains a lease, the lease term and incremental borrowing rate requires management to make relevant judgements. For further details on leases, see note 17 to our combined consolidated financial statements for the fiscal year ended March 31, 2020 included elsewhere in this offering memorandum.

*Property, plant and equipment and intangible assets, including goodwill.* The accounting treatment given to property, plant and equipment and intangible assets includes estimates to determine the useful life for depreciation

and amortization purposes, in addition to the fair value at acquisition date of the assets acquired through business combinations. Currently, Raízen performs impairment tests on the assets with an indefinite useful life, especially goodwill supported by future profitability. The determination of the recoverable amount of the cash-generating unit to which the goodwill was allocated also includes the use of estimates and assumptions and requires a significant degree of management's judgment. See also "—Biological assets and agricultural products."

*Deferred income and social contribution tax.* Deferred income tax and social contribution assets are recognized for all tax loss carryforwards not utilized to the extent that it is probable that there will be future taxable income to allow their use in the future. Substantial judgment from management is required to determine the amount of the deferred income tax and social contribution assets that can be recognized, based on the reasonable term and amount of future taxable income, along with future tax rationalization. For further details on deferred taxes, see note 19 to our combined consolidated financial statements for the fiscal year ended March 31, 2020 included elsewhere in this offering memorandum.

*Fair value of financial instruments.* When the fair value of the financial assets and liabilities presented in the statement of financial position cannot be obtained from active markets, it is determined by using valuation techniques, including the discounted cash flow method. The data for these methods are based on those adopted by the market, when possible. However, when such data is not available, a certain level of judgment is required to establish the fair value. Judgment includes considerations on the data utilized, such as liquidity risk, credit risk and volatility. Changes in the assumptions related to these factors can affect the fair value presented for the financial instruments. For more details on financial instruments, see note 27 to our combined consolidated financial statements for the fiscal year ended March 31, 2020 included elsewhere in this offering memorandum.

*Provision for tax, civil, environmental and labor contingencies.* Raízen constitutes a provision for tax, civil, environmental and labor contingencies. Determination of the likelihood of loss includes determination of available evidence, hierarchy of laws, jurisprudence available, more recent court decisions and relevance thereof in legal system, as well as evaluation of internal and external attorneys. Such provisions are reviewed and adjusted to take into account changes in circumstances, such as statute of limitations applicable, tax inspection conclusions or additional exposures identified based on new matters or court decisions.

*Income tax, social contribution and other taxes payable.* Raízen is subject to income tax and social contribution in all countries in which it operates. Significant judgment is required to determine the provision for income taxes in these various countries. In many operations, the final determination of the tax is uncertain. Raízen also recognizes provisions to cover certain situations in which it is probable that additional tax amounts will be owed. When final results of such issues differ from initially estimated and recorded amounts, these differences affect current and deferred tax liabilities in the period in which definitive value is determined.

*Biological assets.* Biological assets refer to sugarcane crops and exclude the land on which they are located. Biological assets are measured at fair value under the discounted cash flow method. The effects of changes in fair value between the periods are recognized directly in the cost of products sold. For further information on the assumptions used, see note 9 to our March 2020 financial statements included elsewhere in this offering memorandum.

***Selected Components of our Income Statement***

*Net Operating Revenue*

We report net operating revenue after deducting Brazilian federal and state taxes assessed on gross sales (ICMS, PIS, COFINS), IPI (a federal value-added tax assessed on our gross sales in the Brazilian market at rates that vary by product) and INSS (federal social contribution taxes assessed on our gross sales of sugar cane in the Brazilian market at a rate of 2.85%).

*Cost Structure*

Our cost structure for Raízen Energia may be divided into costs that are linked to the prices of our products and costs that are not linked to the prices of our products. Two of our principal cost components, raw materials and land leases, are linked to the prices of our products. In addition, another relevant portion of our costs is represented by agricultural and industrial inputs, some of which are imported and which are also subject to price fluctuations primarily as a result of exchange rate variations.

**Principal Factors Affecting Our Results of Operations**

In addition to the factors that are described in "Business," our results of operations have been influenced and will continue to be influenced by the following key factors:

***Brazilian Economic Environment***

The Brazilian economic environment has historically been characterized by significant variations in economic growth, inflation and currency exchange rates. Our results of operations and financial condition are influenced by these factors and the effect that these factors have on employment rates, the availability of credit and average wages in Brazil. The following table sets forth Brazilian inflation rates, interest rates, and exchange rates for the periods indicated:

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| GDP growth | 1.1% | 1.3% | 1.3% |
| Inflation (IGP-M) | 7.3% | 7.5% | (0.5)% |
| Inflation (IPCA)(1) | 4.3% | 3.8% | 3.0% |
| Interbank rate – CDI (average)(2) | 4.4% | 6.4% | 6.9% |
| Long-term interest rates (average)(3) | 5.6% | 7.0% | 7.0% |
| Exchange rate at the end of the period per U.S.$1.00 | R$4.03 | R$3.87 | R$3.31 |
| Average exchange rate per U.S.$1.00 | R$3.95 | R$3.65 | R$3.19 |
| Appreciation (depreciation) of the *real* against the U.S. dollar (4) | (4.0)% | (17.1)% | (1.5)% |

*Sources*: IBGE, Central Bank, B3 and FGV.

(1) IPCA is a consumer price index calculated by IBGE.

(2) CDI refers to the average overnight interbank loan rates in Brazil.

(3) The Brazilian long-term interest rate (*taxa de juros de longo prazo*), or "TJLP," is the rate applicable to long-term loans by BNDES.

(4) Comparing the PTAX exchange rate (the rate calculated by the Central Bank) at the end of the period's last day with the day immediately prior to the first day of the period discussed, PTAX is the exchange rate calculated at the end of each day by the Central Bank. It is the average rate of all business conducted in U.S. dollars on the determined date in the interbank exchange market.

Any deterioration in the rate of economic growth, or changes in interest rates, the unemployment rate or price levels generally in Brazil and any of the markets in which we operate, may limit the availability of credit, income and purchasing power of our customers, thereby adversely affecting demand for our products. See "Risk Factors—Risks Relating to the Countries in Which We Operate."

***Sugar***

The profitability of our sugar products is mainly affected by fluctuations in the international price of raw sugar and in the *real*/dollar exchange rate. International raw sugar prices are determined based on the New York Board of Trade Futures Contract No. 11, or "NY11." Refined sugar trades at a premium to raw sugar, known as the "white premium," and its price is determined based on the London International Financial Futures and Options Exchange Contract No. 5, or "LIFFE No. 5." Prices are affected by the perceived and actual supply and demand for sugar and its substitute products. The supply of sugar is affected by weather conditions, governmental trade policies and regulations, and the amount of sugarcane and sugar beet planted by farmers, including substitution by farmers of other agricultural commodities for sugarcane or sugar beet. Demand is affected by growth in worldwide consumption of sugar and the prices of substitute sugar products. From time to time, imbalances may occur between overall sugarcane and sugar beet processing capacity, sugarcane and sugar beet supply and the demand for sugar products. Prices of sugar products are also affected by these imbalances, which, in turn, impact our decisions regarding whether and when to purchase, store or process sugarcane and whether to produce sugar or more ethanol.

The table below sets forth the prices for raw sugar NY11 for the periods indicated:

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | (in U.S.$ per pound) | | |
| Initial quote | 0.1267 | 0.1252 | 0.1654 |
| Closing quote | 0.1042 | 0.1253 | 0.1235 |
| Daily average quote | 0.1257 | 0.1206 | 0.1427 |
| High quote | 0.1578 | 0.1401 | 0.1677 |
| Low quote | 0.1042 | 0.0990 | 0.1221 |

*Source*: NYBOT and Bloomberg

***Ethanol***

Our ethanol products are affected by domestic Brazilian and international prices of ethanol, competition, governmental policies and regulations, and market demand for ethanol as an alternative or additive to gasoline. The price for ethanol we sell in Brazil is set in accordance with market prices, using weekly indices published by ESALQ in the State of São Paulo and the B3 as a reference. Prices for ethanol we export are set based on international market prices, including the New York Board of Trade's recently launched ethanol futures contract. Prices for the industrial alcohol and bottled alcohol products we sell are also set based on market prices and have been historically higher than market prices for ethanol.

The table below sets forth the prices for hydrous ethanol in the Brazilian market for the periods indicated:

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | (in U.S.$ per liter) | | |
| Initial quote | 0.4266 | 0.4950 | 0.4609 |
| Closing quote | 0.2987 | 0.4178 | 0.5423 |
| Daily average quote | 0.4457 | 0.4299 | 0.4880 |
| High quote | 0.5081 | 0.4978 | 0.5819 |
| Low quote | 0.2987 | 0.3564 | 0.3839 |

*Source*: ESALQ (Ethanol prices were converted to U.S. dollars using the Central Bank's U.S. dollars to *reais* currency PTAX ask quote (weekly average)).

The table below sets forth the prices for anhydrous ethanol in the Brazilian market for the periods indicated:

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | (in U.S.$ per liter) | | |
| Initial quote | 0.4804 | 0.5608 | 0.5107 |
| Closing quote | 0.3700 | 0.4705 | 0.5750 |
| Daily average quote | 0.4939 | 0.4729 | 0.5312 |
| High quote | 0.5542 | 0.5608 | 0.6141 |
| Low quote | 0.3700 | 0.3919 | 0.4298 |

*Source*: ESALQ (Ethanol prices were converted to U.S. dollars using the Central Bank's U.S. dollars to *reais* currency PTAX ask quote (weekly average)).

The following table sets forth our average selling prices (in R$ per thousand liters) for ethanol in the export market for the periods indicated:

| | For Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Average Unitary Price | 2.156 | 1.874 | 1.717 |

*Source*: Bloomberg

***Demand for Fuels***

Demand for gasoline, ethanol and diesel is susceptible to volatility related to the level of economic activity in Brazil and Argentina, and may also fluctuate depending on the performance of specific industries. We expect that a decrease in economic activity would adversely affect demand for fuels.

***Currency Fluctuations***

A significant proportion of the sales of sugar of Raízen Energia are conducted in U.S. dollars. Therefore, a depreciation of the *real* against the U.S. dollar would have the effect of increasing our sugar sales proceeds in Raízen Energia. For example, Raízen Energia's results for the year ended March 31, 2020 were positively influenced by a material depreciation of the *real* during the period (the average *real*/U.S. dollar exchange rate during the year ended March 31, 2020 was R$4.1181 per U.S.$1.00, as compared to R$3.7845 per U.S.$1.00 during the year ended March 31, 2019). An appreciation of the *real* against the U.S. dollar would have the opposite effect.

A significant proportion of our debt is denominated in U.S. dollars. A depreciation of the *real* against the U.S. dollar would increase our debt burden and our related financial expenses. However, we have receivables and other financial assets denominated in U.S. dollars, which would partially offset the impact that a depreciation of the *real* would have on our financial position. An appreciation of the *real* against the U.S. dollar would have the opposite effect.

In order to mitigate the effects of a potential fluctuation in the U.S. dollar, we operate under strict risk management policies, which include a senior risk committee that meets on a weekly basis to discuss and monitor sugar prices, exchange rate exposures, our hedging positions, margin calls (cash at risk), counterparty risk and stress scenarios.

***Seasonality***

Raízen Energia is subject to seasonal trends based on the sugarcane growing cycle in the Central-South region of Brazil. The annual sugarcane harvesting period in the Central-South region of Brazil begins in April / May and ends in November / December. This creates variations in inventory, which is usually high in November due to harvest dynamics and a degree of seasonality in gross profit from sales of ethanol and sugar, and is significantly lower in the quarter ending December 31. None of our other business segments are subject to significant seasonal trends.

***Inflation***

Inflation rates in Brazil were 10.7% in 2015, 6.3% in 2016, 3% in 2017, 3.8% in 2018 and 4.3% in 2019, as measured by the ICPA. The inflation rate reached a level of 3.3% for the 12-month period ended March 31, 2020.

Inflation affects our financial performance by increasing certain of our operating expenses denominated in *reais* (and not linked to the U.S. dollar). These operating expenses include labor costs, leases, and selling and general administrative expenses. However, inflation did not have a material impact on our business for the periods presented.

***Other Factors***

Other factors that may impact the results of our operations include:

- hedging transactions;
- trade barriers in U.S., European and other markets that currently limit access to their domestic sugar industry through quotas, subsidies and restrictions on imports;
- the evolving use of ethanol derivatives as an alternative to oil derivatives and as a cleaner burning fuel, derived from renewable sources;
- changes in international prices of oil (denominated in U.S. dollars) and related changes in the domestic prices of oil (denominated in *reais*);

- the growth rate of the global economy and its resulting growth in worldwide sugar and ethanol consumption; and

- developments with respect to the COVID-19 pandemic in Brazil and globally (see also "Risk Factors—Risks Related to Our Business and Industries in which We Operate—Public health threats or outbreaks of communicable diseases could have an adverse effect on our operations and financial results" and "Summary—Recent Developments—COVID-19 Pandemic"); and

- the tax policies adopted by the Brazilian federal and state governments (including tax incentives from which we benefit), and our resulting tax obligation.

**Operating Results**

The following discussion of our results of operations is based on the financial information derived from our audited combined consolidated financial statements prepared in accordance with IFRS as issued by the IASB, unless otherwise stated. In the following discussion, references to increases or decreases in any period are made by comparison with the corresponding prior period, as applicable, except as the context otherwise indicates.

The individual amounts presented in each of the tables below for Raízen Energia and Raízen Combustíveis are different from those included in Raízen's combined consolidated financial information due to the elimination of transactions and balances between these companies. Accordingly, each of the tables below contains one line item reconciling such amounts with the amounts presented in Raízen's combined consolidated financial information.

***Fiscal Year Ended March 31, 2020 compared to Fiscal Year Ended March 31, 2019***

The table below sets forth our comparative combined consolidated financial information for the fiscal years ended March 31, 2020 and 2019.

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | % Variation |
| | (in R$ millions, except percentages) | | |
| Net operating revenue | 120,580.6 | 103,973.0 | 16.0% |
| Costs of products sold and services provided | (113,308.7) | (98,008.5) | 15.6% |
| Gross income | 7,271.9 | 5,964.5 | 21.9% |
| Selling | (3,090.2) | (2,526.6) | 22.3% |
| General and administrative | (1,236.5) | (1,152.1) | 7.3% |
| Other operating income, net | 2,147.3 | 1,252.0 | 71.5% |
| Equity accounting result | (15.8) | 31.0 | (151.0)% |
| Net operating expenses | (2,195.2) | (2,395.7) | (8.4)% |
| Income before financial results and income tax and social contribution | 3,461.5 | 2,777.1 | 24.6% |
| Financial results | (1,615.2) | (791.6) | 104.0% |
| Financial expenses | (1,973.6) | (1,470.9) | 34.2% |
| Financial revenues | 536.0 | 610.3 | (12.2)% |
| Net exchange variation | (4,081.9) | (781.3) | n.m. |
| Net effect of the derivatives | 3,904.3 | 850.3 | 359.2% |
| Income before income tax and social contribution | 3,461.6 | 2,777.2 | 24.6% |
| Current | (1,345.8) | (548.2) | 145.5% |
| Deferred | 280.0 | 6.2 | n.m. |
| Income tax and social contribution | (1,065.8) | (542.0) | 96.6% |
| Net income for the year | 2,395.6 | 2,235.2 | 7.2% |

*n.m. = not meaningful

*Net operating revenue*

The table below presents a breakdown of Raízen Combustíveis and Raízen Energia's net operating revenue for the fiscal years ended March 31, 2020 and 2019:

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | % Variation |
| | (in R$ millions, except percentages) | | |
| **Raízen Energia** | 30,712.7 | 22,405.6 | 37.1% |
| Sugar | 4,648.8 | 3,902.1 | 19.1% |
| Diesel | 6,783.0 | 4,513.7 | 50.3% |
| Ethanol | 11,480.3 | 9,096.3 | 26.2% |
| Bioenergy | 3,866.0 | 3,463.5 | 11.6% |
| Gasoline | 3,167.7 | 1,260.4 | 151.3% |
| Other | 766.9 | 169.7 | n.m. |
| **Raízen Combustíveis** | 100,941.2 | 88,950.6 | 13.5% |
| Diesel | 45,458.5 | 39,664.6 | 14.6% |
| Gasoline | 36,359.1 | 32,994.3 | 10.2% |
| Ethanol | 9,099.5 | 7,875.8 | 15.5% |
| Jet A-1 | 6,662.2 | 6,406.9 | 4.0% |
| Other | 3,361.8 | 2,009.0 | 67.3% |
| Intragroup eliminations | (11,071.3) | (7,383.2) | 50.0% |
| **Total combined consolidated** | 120,580.5 | 103,973.0 | 16.0% |

*n.m. = not meaningful

Raízen Energia's net operating revenue increased by 37.1%, to R$30,710.6 million in the fiscal year ended March 31, 2020 from R$22,405.6 million in the fiscal year ended March 31, 2019, mainly due to a higher trading volume of ethanol and oil products and increased ethanol and sugar average sales prices, reflecting better market prices in the period for both products.

Raízen Combustíveis' net operating revenue increased by 13.5% in the fiscal year ended March 31, 2020 to R$100,941.2 million, from R$88,950.6 million in the fiscal year ended March 31, 2019, primarily due to the acquisition of the fuel refining, distribution and resale operations in Argentina, which became effective on October 1, 2018, and to an increase of 6% and 3% in diesel and Otto cycle distribution sales volumes in Brazil, respectively. The increase in diesel volumes reflected greater sales to agribusiness and B2B clients, while the increase in Otto cycle volume was a result of the renewal and expansion of our customer network.

*Cost of goods sold and services provided*

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | % Variation |
| | (in R$ millions, except percentages) | | |
| Raízen Energia | (28,322.7) | (20,711.3) | 36.7% |
| Raízen Combustíveis | (96,101.6) | (84,801.5) | 13.3% |
| Intragroup eliminations | 11,115.6 | 7,504.3 | 48.12% |
| Total combined consolidated | (113,308.7) | (98,008.5) | 15.6% |

The cost of goods sold and services provided by Raízen Energia increased by 36.7%, to R$28,322.7 million in the fiscal year ended March 31, 2020 from R$20,711.3 million in the fiscal year ended March 31, 2019, driven by higher prices for oil products and trading volumes of ethanol resales and by an increase in the Consecana index prices (which directly affects land lease agreements and the acquisition of third-party sugarcane) as well as higher inflation in the period.

The cost of goods sold and services provided by Raízen Combustíveis increased by 13.3%, to R$96,101.6 million in the fiscal year ended March 31, 2020 from R$84,801.5 million in the fiscal year ended March 31, 2019, due to the acquisition of the fuel refining, distribution and resale operations in Argentina, which became effective on October 1, 2018, and to an increase of 4% in sales volume in the distribution operations in Brazil.

*Selling*

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | % Variation |
| | (in R$ millions, except percentages) | | |
| Raízen Energia | (840.1) | (849.2) | (1.1)% |
| Raízen Combustíveis | (2,252.0) | (1,678.6) | 34.2% |
| Intragroup eliminations | 2.0 | 1.2 | 66.66% |
| Total combined consolidated | (3,090.1) | (2,526.6) | 22.3% |

Raízen Energia's selling expenses decreased to R$840.1 million, or 1.1%, in the fiscal year ended March 31, 2020 as compared to R$849.2 million in the fiscal year ended March 31, 2019, due to lower logistic costs as a result of the increase in ethanol resales, for which there are no transportation costs.

Raízen Combustíveis' selling expenses increased by 34.2% to R$2,252.0 million in the fiscal year ended March 31, 2020 from R$1,678.6 million in the fiscal year ended March 31, 2019, primarily due to the acquisition of the fuel refining, distribution and resale operations in Argentina, which became effective on October 1, 2018, and to increase in sales volume and the effects of higher inflation in the period on our distribution operations in Brazil.

*General and administrative*

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | % Variation |
| | (in R$ millions, except percentages) | | |
| Raízen Energia | (623.8) | (593.4) | 5.1% |
| Raízen Combustíveis | (612.7) | (558.6) | 9.7% |
| Total combined consolidated | (1,236.5) | (1,152.0) | 7.3% |

General and administrative expenses for Raízen Energia totaled R$623.8 million in the fiscal year ended March 31, 2020, an increase of 5.1% compared to R$593.4 million in the fiscal year ended March 31, 2019 due to inflation in the period.

General and administrative expenses for Raízen Combustíveis totaled R$612.7 million in the fiscal year ended March 31, 2020, an increase of 9.7% compared to R$558.6 million in the fiscal year ended March 31, 2019, mainly as a result of the acquisition of the fuel refining, distribution and resale operations in Argentina, which became effective on October 1, 2018 and due to inflation in the period.

*Other operating revenue (expense), net*

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | % Variation |
| | (in R$ millions, except percentages) | | |
| Raízen Energia | 368.2 | 544.5 | (32.4)% |
| Raízen Combustíveis | 1,813.8 | 705.8 | 157.0% |
| Intragroup eliminations | (34.7) | 1.7 | n.m. |
| Total combined consolidated | 2,147.3 | 1,252.0 | 71.5% |

*n.m. = not meaningful.

Other operating revenue (expense), net for Raízen Energia totaled R$368.2 million in the fiscal year ended March 31, 2020, compared to R$544.5 million in the fiscal year ended March 31, 2019, a decrease of 32.4%, primarily due to a reversal of impairment losses from our direct interest in Logum, which occurred only on March 31, 2019.

Other operating revenue (expense), net for Raízen Combustíveis totaled R$1,813.8 million in the fiscal year ended March 31, 2020, an increase of 157.0% compared to R$705.8 million in the fiscal year ended March 31, 2019

primarily due to gains in the formation of a joint venture on November 1, 2019 with FEMCO related to convenience stores which included the dilution of our interest as a consequence of FEMCO's capital increase, gains in the sale of shares previously that we held to FEMCO and gains from re-measurement of the investment we retained at fair value.

*Income before financial results and income tax and social contribution*

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | % Variation |
| | (in R$ millions, except percentages) | | |
| Raízen Energia | 338.4 | 478.9 | (29.3)% |
| Raízen Combustíveis | 3,091.5 | 2,216.3 | 39.5% |
| Intragroup eliminations | 31.6 | 81.9 | (61.4)% |
| Total combined consolidated | 3,461.5 | 2,777.1 | 24.6% |

Income before financial results and income tax and social contribution for Raízen Energia totaled R$338.4 million in the fiscal year ended March 31, 2020, a decrease of 29.3% compared to R$478.9 million in the fiscal year ended March 31, 2019, primarily as a result of the factors explained above.

Income before financial results and income tax and social contribution for Raízen Combustíveis totaled R$3,091.5 million in the fiscal year ended March 31, 2020, an increase of 39.5% compared to R$2,216.3 million in the fiscal year ended March 31, 2019, primarily as a result of the factors explained above.

*Financial results*

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | % Variation |
| | (in R$ millions, except percentages) | | |
| Raízen Energia | (932.6) | (348.3) | 167.8% |
| Raízen Combustíveis | (702.6) | (401.4) | 75.0% |
| Intragroup eliminations | 20.0 | (41.9) | (147.7)% |
| Total combined consolidated | (1,615.2) | (791.6) | 104.0% |

Financial results for Raízen Energia totaled a net financial expense of R$932.6 million in the fiscal year ended March 31, 2020, compared to a net financial expense of R$348.3 million in the fiscal year ended March 31, 2019, primarily due to the adoption of IFRS 16 (see explanatory notes 2.3(h) and 2.4.1 to the combined consolidated financial statements included elsewhere in this offering memorandum) and to foreign exchange rate impacts on our balances not designated as hedge accounting resulting from a depreciation of the *real* against the U.S. dollar.

Financial results for Raízen Combustíveis totaled a net financial expense of R$702.6 million in the fiscal year ended March 31, 2020, an increase of 75% compared to the financial expenses of R$401.4 million in the fiscal year ended March 31, 2019. This change was mainly due to the adoption of IFRS 16 and to foreign exchange rate impacts on our balances not designated as hedge accounting resulting from a depreciation of the Argentine *peso* against the U.S. dollar.

***Fiscal Year Ended March 31, 2019 compared to Fiscal Year Ended March 31, 2018***

The table below sets forth our comparative combined consolidated financial information for the fiscal years ended March 31, 2019 and 2018.

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2019 | 2018 | % Variation |
| | (in R$ millions, except percentages) | | |
| Net operating revenue | 103,973.0 | 86,261.2 | 20.5% |
| Cost of goods sold and services provided | (98,008.5) | (80,050.3) | 22.4% |

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2019 | 2018 | % Variation |
| | (in R$ millions, except percentages) | | |
| **Gross income** | 5,964.5 | 6,210.9 | (4.0)% |
| Selling expenses | (2,526.6) | (2,139.2) | 18.1% |
| General and administrative expenses | (1,152.1) | (1,095.2) | 5.2% |
| Other operating revenue, net | 1,252.0 | 622.1 | 101.3% |
| Equity accounting result | 31.0 | (21.4) | (244.9)% |
| **Net operating expenses** | (2,395.7) | (2,633.8) | (9.0)% |
| Income before financial results and income tax and social contribution | 3,568.8 | 3,577.1 | (0.2)% |
| **Financial results** | (791.6) | (423.2) | 87.1% |
| Financial expenses | (1,470.9) | (904.4) | 62.6% |
| Financial revenue | 610.3 | 619.1 | (1.4)% |
| Net exchange variation | (781.3) | (324.9) | 140.5% |
| Net effect of the derivatives | 850.3 | 187.1 | 354.5% |
| Income before income and social contribution taxes | 2,777.2 | 3,154.0 | (11.9)% |
| Current | (548.2) | (963.0) | (43.1)% |
| Deferred | 6.2 | 119.9 | (94.8)% |
| **Income before income tax and social contribution** | (542.0) | (843.1) | (35.7)% |
| Net income for the year | 2,235.2 | 2,311.0 | (3.3)% |

*Net operating revenue*

The table below presents a breakdown of Raízen Combustíveis and Raízen Energia's net operating revenue for the fiscal years ended March 31, 2019 and 2018:

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2019 | 2018 | % Variation |
| | (in R$ millions, except percentages) | | |
| **Raízen Energia** | 22,405.6 | 14,752.4 | 51.9% |
| Sugar | 3,902.1 | 5,435.9 | (28.2)% |
| Diesel | 4,513.7 | 628.9 | 617.7% |
| Ethanol | 9,096.3 | 7,443.8 | 22.2% |
| Bioenergy | 3,463.5 | 952.2 | 263.7% |
| Gasoline | 1,260.4 | 121.7 | 935.7% |
| Other | 169.7 | 169.9 | (0.2)% |
| **Raízen Combustíveis** | 88,950.6 | 74,586.0 | 19.3% |
| Diesel | 39,664.6 | 32,756.5 | 21.1% |
| Gasoline | 32,994.3 | 31,797.9 | 3.8% |
| Ethanol | 7,875.8 | 5,602.0 | 40.5% |
| Jet A-1 | 6,406.9 | 3,955.0 | 70.0% |
| Other | 2,009.0 | 474.6 | 323.3% |
| Intragroup eliminations | (7,383.3) | (3,077.2) | (139.9)% |
| Total combined consolidated | 103,973.0 | 86,261.2 | 20.5% |

Raízen Energia's net operating revenue increased by 51.9%, to R$22,405.6 million in the fiscal year ended March 31, 2019 from R$14,752.4 million in the fiscal year ended March 31, 2018, mainly due to the acquisition of energy trading company WX Energy, which increased trading and resale volume in bioenergy since August 2018, and to higher trading volume of ethanol and oil products and sales of own ethanol, along with higher average ethanol prices. Although trading volume improved our revenue, this was offset by the cost of goods sold (as mentioned below), resulting in a net margin which is not highly significant in comparison to trading operations with lower margins.

Raízen Combustíveis' net operating revenue increased by 19.3%, to R$88,950.6 million in the fiscal year ended March 31, 2019 from R$74,586.0 million in the fiscal year ended March 31, 2018, primarily due to the acquisition of the fuel refining, distribution and resale operations in Argentina, which became effective on October 1, 2018, and to an increase in average diesel and gasoline distribution prices in Brazil.

*Cost of goods sold and services provided*

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2019 | 2018 | % Variation |
| | (in R$ millions, except percentages) | | |
| Raízen Energia | (20,711.3) | (12,474.2) | 66.0% |
| Raízen Combustíveis | (84,801.5) | (70,638.0) | 20.1% |
| Intragroup eliminations | 7,504.3 | 3,061.9 | 145.1% |
| Total combined consolidated | (98,008.5) | (80,050.3) | 22.4% |

The cost of goods sold and services provided by Raízen Energia increased by 66.0%, to R$20,711.3 million in the fiscal year ended March 31, 2019 from R$12,474.2 million in the fiscal year ended March 31, 2018, primarily due to the acquisition of energy trading company WX Energy, which increased trading and resale volume in bioenergy as from August/2018, and to higher trading volume of ethanol and oil products and sales of own ethanol and inflation in the period.

The cost of goods sold and services provided by Raízen Combustíveis increased by 20.1%, to R$84,801.5 million in the fiscal year ended March 31, 2019 from R$70,638.0 million in the fiscal year ended March 31, 2018, due to higher diesel and gasoline average prices and higher logistical costs.

*Selling*

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2019 | 2018 | % Variation |
| | (in R$ millions, except percentages) | | |
| Raízen Energia | (849.2) | (813.9) | 4.3% |
| Raízen Combustíveis | (1,678.6) | (1,326.5) | 26.5% |
| Intragroup eliminations | 1.2 | 1.2 | — |
| Total combined consolidated | (2,526.6) | (2,139.2) | 18.1% |

Raízen Energia's selling expenses increased to R$849.2 million, or 4.3%, in the fiscal year ended March 31, 2019 as compared to R$813.9 million in the fiscal year ended March 31, 2018, driven by inflation in the period.

Raízen Combustíveis' selling expenses increased by 26.5% to R$1,678.6 million in the fiscal year ended March 31, 2019 from R$1,326.5 million in the fiscal year ended March 31, 2018, primarily as a result of the acquisition of the fuel refining, distribution and resale operations in Argentina, which became effective on October 1, 2018.

*General and administrative*

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2019 | 2018 | % Variation |
| | (in R$ millions, except percentages) | | |
| Raízen Energia | (593.4) | (620.4) | (4.4)% |
| Raízen Combustíveis | (558.6) | (474.8) | 17.6% |
| Total combined consolidated | (1,152.0) | (1,095.2) | 5.2% |

General and administrative expenses for Raízen Energia totaled R$593.4 million in the fiscal year ended March 31, 2019, a decrease of 4.4% compared to R$620.4 million in the fiscal year ended March 31, 2018, primarily due to a reduction of expenses and greater efficiency in the period.

General and administrative expenses for Raízen Combustíveis totaled R$558.6 million in the fiscal year ended March 31, 2019, an increase of 17.6% compared to R$474.8 million in the fiscal year ended March 31, 2018, mainly as a result of the acquisition of the fuel refining, distribution and resale operations in Argentina, which became effective on October 1, 2018.

*Other operating revenue (expenses), net*

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2019 | 2018 | % Variation |
| | (in R$ millions, except percentages) | | |
| Raízen Energia | 544.5 | 128.5 | 323.7% |
| Raízen Combustíveis | 705.8 | 494.9 | 42.6% |
| Intragroup eliminations | 1.7 | (1.3) | (230.8)% |
| Total combined consolidated | 1,252.0 | 622.1 | 101.3% |

Other operating revenue (expenses), net for Raízen Energia totaled R$544.5 million in the fiscal year ended March 31, 2019, compared to an income of R$128.5 million in the fiscal year ended March 31, 2018, mainly as a result of the acquisition of the fuel refining, distribution and resale operations in Argentina, which became effective on October 1, 2018.

Other operating revenue (expenses), net for Raízen Combustíveis totaled R$705.8 million in the fiscal year ended March 31, 2019, an increase of 42.6% compared to R$494.9 million in the fiscal year ended March 31, 2018 primarily due to recognition of certain tax credits.

*Income before financial results, income tax and social contribution*

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2019 | 2018 | % Variation |
| | (in R$ millions, except percentages) | | |
| Raízen Energia | 478.9 | 787.8 | (39.2)% |
| Raízen Combustíveis | 2,216.3 | 2,366.3 | (6.3)% |
| Intragroup eliminations | 81.9 | (0.1) | n.m. |
| Total combined consolidated | 2,777.1 | 3,154.0 | (11.9)% |

*n.m. = not meaningful

Income before financial results, income tax and social contribution for Raízen Energia totaled R$478.9 million in the fiscal year ended March 31, 2019, compared to R$787.8 million in the fiscal year ended March 31, 2018, primarily as a result of the factors explained above.

Income before financial results, income tax and social contribution for Raízen Combustíveis totaled R$2,216.3 million in the fiscal year ended March 31, 2019, a decrease of 6.3% compared to R$2,366.3 million in the fiscal year ended March 31, 2018, primarily as a result of the factors explained above.

*Financial results*

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2019 | 2018 | % Variation |
| | (in R$ millions, except percentages) | | |
| Raízen Energia | (348.3) | (163.1) | 113.5% |
| Raízen Combustíveis | (401.4) | (275.2) | 45.9% |
| Intragroup eliminations | (41.9) | 15.1 | (377.5)% |
| Total combined consolidated | (791.6) | (423.2) | 87.1% |

Financial results for Raízen Energia totaled a net expense of R$348.3 million in the fiscal year ended March 31, 2019, an increase of 113.5% compared to an expense of R$163.1 million in the fiscal year ended March 31, 2018, primarily due to an increase in net debt in the period and to foreign exchange rate impacts on balances not designated as hedge accounting resulting from a depreciation of the *real* against the U.S. dollar.

Financial results for Raízen Combustíveis totaled a net expense of R$401.4 million in the fiscal year ended March 31, 2019, an increase of 45.9% compared to an expense of R$275.2 million in the fiscal year ended March 31, 2018. This change was mainly due to an increase in indebtedness in the period.

**Liquidity and Capital Resources**

Our financial condition and liquidity are influenced by several factors, including:

- our ability to generate cash flow from our operations;
- the level of our outstanding indebtedness and related accrued interest, which affects our net finance expenses;
- prevailing Brazilian and international interest rates, which affect our debt service requirements;
- exchange rate variations, which affect our U.S. dollar-denominated debt as well as our U.S. dollar-denominated agreements;
- our ability to continue to borrow funds from Brazilian and international financial institutions and to obtain pre-export financing from certain of our customers;
- our capital expenditure requirements, which consist primarily of investments in crop planting and the purchase of equipment; and
- credit ratings, including factors that may materially influence credit ratings, implications of potential changes in ratings and management's expectations.

Our cash needs have traditionally consisted of working capital requirements, servicing of our indebtedness, capital expenditures related to investments in operations, maintenance and expansion of plant facilities, as well as acquisitions. Our sources of liquidity have traditionally consisted of cash flows from our operations and short and long-term borrowings. We have financed acquisitions through seller financing, third-party financing or capital contributions by our shareholders. We believe our current working capital is sufficient for our present requirements and would expect to meet any potential shortfalls in our working capital needs through short- and long-term borrowings, capital contributions by our shareholders, or offerings of debt or equity securities in the domestic and international capital markets. In the fiscal years ended March 31, 2020, 2019 and 2018, the cash flow used in investing activities was funded mainly by increased borrowing.

The table below provides an overview of the composition of our net debt as of the dates indicated:

| | As of March 31, | | | |
|---|---|---|---|---|
| | 2020(1) | 2020 | 2019 | 2018 |
| | (in U.S.$) | | (in R$) | |
| | (in millions) | | | |
| Current loans and financing | 1,026.0 | 5,334.1 | 1,922.7 | 1,532.0 |
| Non-current loans and financing | 3,845.8 | 19,993.3 | 15,341.6 | 11,986.3 |
| Cash and cash equivalents | (1,654.6) | (8,601.7) | (5,740.0) | (3,663.2) |
| Securities | (7.5) | (39.1) | (268.4) | (1,078.9) |
| Financial investments linked to financing | (9.7) | (50.5) | (57.8) | (67.8) |
| National Treasury Certificates – CTN (CTN related to PESA) | (57.2) | (297.5) | (521.9) | (827.0) |
| Derivatives financial instruments, net | (648.2) | (3,369.9) | (814.3) | (74.2) |
| **Net Debt(2)** | **2,494.6** | **12,968.7** | **9,861.9** | **7,807.2** |

(1) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the U.S. dollar selling rate reported by the Central Bank as of March 31, 2020 of R$5.1987 per U.S.$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

(2) We define Net Debt as current and non-current loans and financing, net of cash and cash equivalents, securities, investments linked to financing, derivative assets or liabilities related to foreign exchange rate risk and interest rate risk and other financial assets (e.g., CTNs related to PESA). Net Debt is a non-GAAP measure.

***Cash Flows***

The following table shows our combined consolidated cash flows for the periods indicated.

| | March 31, | | | Variation | |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2020/2019 | 2019/2018 |
| | (in millions of *reais*) | | | (%) | |
| Net cash from operating activities | 7,789.4 | 6,386.7 | 6,389.0 | 22.0% | —% |
| Net cash used in investment activities | (5,078.1) | (3,614.1) | (3,954.0) | 40.5% | (8.6)% |
| Net cash used in financing activities | (907.5) | (881.0) | (2,006.5) | 3.0% | (56.1)% |
| Increase in cash and cash equivalents, net | 1,803.9 | 1,891.7 | 428.5 | (4.6)% | 341.5% |
| Cash and cash equivalents at the beginning of the period | 5,740.0 | 3,663.2 | 3,201.6 | 56.7% | 14.4% |
| Effect of exchange variation on cash and cash equivalents | 1,057.8 | 185.2 | 33.0 | 471.2% | 461.2% |
| Cash and cash equivalents at the end of the period | 8,601.7 | 5,740.0 | 3,663.2 | 49.9% | 56.7% |

As of March 31, 2020, our combined consolidated cash and cash equivalents totaled R$8,601.7 million compared to R$5,740.0 million for the fiscal year ended March 31, 2019 and R$3,663.2 million for the fiscal year ended March 31, 2018.

***Cash Flow from Operating Activities***

For the fiscal year ended March 31, 2020, net cash generated by operating activities was R$7,789.4 million compared to net cash generated by operating activities of R$6,386.7 million for the corresponding fiscal year ended March 31, 2019. The variation in cash flow from operating activities between these periods was primarily due to our higher income before income tax and social contribution and an increase in adjustments for non-cash items consisting mainly of net interest, inflation adjustments and exchange variation and depreciation and amortization partially offset by a gain from derivatives financial instruments and the formation of the joint venture with FEMCO.

The net cash flows generated by operating activities in the fiscal year ended March 31, 2019 was R$6,386.7 million, compared to R$6,389.0 million for the fiscal year ended March 31, 2018. This was due to (i) our lower income before income tax and social contribution, and (ii) a decrease in adjustments for non-cash items driven primarily by an increase in trade accounts receivable, advances from clients and suppliers and advances to suppliers, and partially offset by a decrease in assets from contracts with clients.

***Cash Flow Used in Investing Activities***

For the fiscal year ended March 31, 2020, net cash used in investing activities totaled R$5,078.1 million compared to net cash used in investing activities of R$3,614.1 million for the fiscal year ended March 31, 2019. The variation is mainly due to an increase in payments for business combinations (with the most significant one being the final payment for the acquisition of the downstream business in Argentina in the amount of R$2,054.0 million) and additional investments, additions to property, plant and equipment and software licenses and a decrease in redemption of investment securities.

Net cash used in investing activities was R$3,614.1 million in the fiscal year ended March 31, 2019, compared to net cash used of R$3,954.0 million for the fiscal year ended March 31, 2018, which variation was mainly attributable to an increase in the redemption of investment securities which resulted in a reduction in cash outflows, partially offset by an increase in payments for business combinations and investment additions.

***Cash Flow Used in Financing Activities***

For the fiscal year ended March 31, 2020, net cash flows used in financing activities totaled R$907.5 million compared to net cash flow used in financing activities of R$881.0 million for the fiscal year ended March 31, 2019, which is substantially in line with the previous year.

Net cash flows used in financing activities were R$881.0 million in the fiscal year ended March 31, 2019, compared to R$2,006.5 million in the fiscal year ended March 31, 2018. This variation was primarily due to higher funding from third party loans, partially offset by debt payments and lower dividend payments in 2019.

**Indebtedness**

***Overview***

As of March 31, 2020, we had gross indebtedness (taking into account both our current and non-current loans and financings) of R$25,327.4 million, of which R$5,334.1 million was short term and R$19,993.3 million was long term. On March 31, 2019, we had gross indebtedness of R$17,264.3 million, of which R$1,922.7 million was short term and R$15,341.6 million was long term. On March 31, 2018, we had gross indebtedness of R$13,518.3 million, of which R$1,532.0 million was short term and R$11,986.3 million was long term. For further information on our indebtedness, see note 27.k to our combined consolidated financial statements for the fiscal year ended March 31, 2020 included elsewhere in this offering memorandum.

| | Final maturity | Index | Annual effective average interest rate (1) | | Total | |
|---|---|---|---|---|---|---|
| | | | 2020 | 2019 | 2020 | 2019 |
| Classification of debts per currency: | | | | | | |
| Denominated in *Reais* | | | | | 9,624.2 | 7,057.1 |
| Denominated in U.S. Dollars (U.S.$) and Euro (€) | | | | | 15,736.4 | 10,247.5 |
| | | | | | 25,360.6 | 17,304.6 |
| Type of debts (2): | | | | | | |
| Export prepayments | Oct 2025 | U.S.$ + Libor | 2.9% | 3.9% | 8,723.4 | 4,867.2 |
| Export prepayments | Sep 2020 | Fixed rate | 3.7% | 3.7% | 1,051.7 | 785.1 |
| Certificate of Agribusiness Receivables (CRA) | Jul 2029 | CDI | 3.6% | 6.3% | 2,947.2 | 3,314.8 |
| Certificate of Agribusiness Receivables (CRA) | Jul 2029 | IPCA | 7.3% | 8.8% | 2,389.7 | 1,460.4 |
| Senior notes due 2027 | Jan 2027 | U.S.$ | 5.3% | 5.3% | 2,965.8 | 2,063.3 |
| Financial Rural Product Note (“CPR-F”) | Nov 2023 | CDI | 4.3% | — | 2,017.4 | — |
| *Schuldschein* | Oct 2021 | Fixed rate - € | 2.9% | 2.9% | 382.9 | 292.6 |
| *Schuldschein* | Sep 2022 | Euribor | 1.8% | 1.9% | 609.2 | 473.9 |
| Debentures | Nov 2023 | IPCA + interest | 7.1% | 10.5% | 1,115.4 | 430.8 |
| Term Loan Agreement | Apr 2024 | U.S.$ + Libor | 2.9% | 3.9% | 1,051.5 | 1,765.3 |
| Advance on exchange contract (“ACC”) | Sep 2020 | — | 1.7% | — | 880.4 | — |
| BNDES | Mar 2024 | URTJLP | 6.2% | 9.2% | 10.5 | 35.4 |
| BNDES | Dec 2030 | Fixed rate | 3.6% | 3.9% | 384.0 | 565.9 |
| BNDES | Apr 2024 | UMBND | 6.7% | 6.7% | 37.7 | 37.2 |
| BNDES | Dec 2038 | IPCA | 7.4% | — | 128.9 | — |
| Financiadora de Estudos e Projetos (“Finep”) | Nov 2022 | Fixed rate | 5.0% | — | 88.3 | — |
| Finame/Leasing | Jan 2025 | Fixed rate | 6.6% | 6.6% | 57.6 | 76.5 |
| Resolution 2471 (PESA) | Apr 2023 | IGP-M | 7.5% | 9.4% | 329.0 | 594.4 |
| Credit Notes | Oct 2020 | CDI | 3.9% | 6.9% | 84.9 | 171.2 |
| Loan 4131 | Dec 2020 | Fixed rate | 4.3% | — | 54.8 | — |
| Working capital | Aug 2020 | CDI | 4.4% | — | 33.5 | — |
| Working capital | Apr 2020 | FED | 0.8% | — | 16.6 | — |
| Rural credit | Nov 2023 | CDI | | 6.0% | — | 370.4 |
| | | | | | 25,360.6 | 17,304.6 |
| Expenses incurred with the placement of the securities: | | | | | | |
| Certificate of Agribusiness Receivables (CRA) | | | | | (15.6) | (21.3) |
| CPR-F | | | | | (12.4) | — |
| BNDES | | | | | (2.2) | (2.9) |
| Senior notes due 2027 | | | | | (2.1) | (1.4) |

| | Final maturity | Index | Annual effective average interest rate (1) | | Total | |
|---|---|---|---|---|---|---|
| | | | 2020 | 2019 | 2020 | 2019 |
| Export prepayments | | | | | (0.4) | (13.6) |
| Finep | | | | | (0.2) | — |
| Debentures | | | | | (0.2) | (0.5) |
| Term Loan Agreement | | | | | (0.1) | (0.6) |
| | | | | | (33.2) | (40.3) |
| | | | | | 25,327.4 | 17,264.3 |
| Current | | | | | (5,334.1) | (1,922.7) |
| Non-current | | | | | 19,993.3 | 15,341.6 |

***Material Financing Agreements***

Our principal financing agreements as of March 31, 2020 are described below:

*Senior Notes Due 2027*

On January 20, 2017, our subsidiary Raizen Fuels Finance S.A. issued notes due 2027 in an aggregate principal amount of U.S.$500 million, or the 5.300% Notes due 2027. The 5.300% Notes due 2027 bear interest from January 20, 2017 at the annual rate of 5.300%, payable semi-annually on January 20 and July 20 of each year, commencing on July 20, 2017. The 5.300% Notes due 2027 are guaranteed by Raízen Combustíveis S.A. and Raízen Energia S.A.

The aggregate principal amount outstanding of our 5.300% Notes due 2027 as of March 31, 2020 was R$2,965.8 million (consisting of a principal amount outstanding of R$2,599.4 million, accrued and unpaid interest of R$26.8 million and R$339.6 million resulting from a fair value appraisal).

The indenture governing the 5.300% Notes due 2027 (including the guarantees) contains covenants that, among other things, limit the ability of Raizen Fuels Finance S.A., the guarantors or the guarantors' restricted subsidiaries to: (1) create certain liens; and (2) consolidate, merge, transfer or lease all or substantially all of their assets. In addition, Raizen Fuels Finance S.A. is subject to additional restrictive covenants pursuant to the indenture.

The indenture governing the 5.300% Notes due 2027 (including the guarantees) contains various events of default, among which: (1) the issuer defaults in the payment of the principal; (2) the issuer defaults in the payment of interest and the default continues for a period of 30 days; and (3) failure by the issuer, the guarantors or certain of their subsidiaries, as the case may be, to perform their obligations under the notes or the indenture.

In addition to the covenants and events of default listed above, the indenture governing the notes also provides for, among other matters, certain redemption provisions and repurchase provisions.

*2019 Term Loan Facility Agreement*

On March 18, 2019, a Term Loan Facility Agreement was entered into between Raizen Fuels Finance S.A., as borrower, Raízen Energia and Raízen Combustíveis, as guarantors, JPMorgan Chase Bank, N.A., BNP Paribas, Mizuho Bank, LTD., The Bank of Nova Scotia, Bank of America, N.A. and Morgan Stanley Senior Funding, Inc., as lenders, and Mizuho Bank, Ltd., as the administrative agent, in aggregate principal amount of U.S.$200 million, herein referred to as the 2019 Term Loan Credit. The aggregate outstanding balance under the 2019 Term Loan Credit as of March 31, 2020, was R$1,051.5 million. The 2019 Term Loan Credit is subject to interest based on the London Interbank Offered Rate, or Libor, plus 1.05% per annum and matures in April 2024.

Proceeds from the 2019 Term Loan Credit were used to partially refinance the Term Loan Facility Agreement dated as of March 25, 2015, among Raizen Cayman Limited, as borrower, Raízen Energia and Raízen Combustíveis, as guarantors, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (NY Branch), Société Générale, Sumitomo Mitsui Banking Corporation, Bank of America, N.A., BNP Paribas, Credit Agricole Corporate and Investment Bank, Scotiabank & Trust (Cayman) Ltd., Citibank, N.A., ING Bank N.V., Mizuho Bank, LTD., HSBC Bank USA, National Association and JPMorgan Chase Bank, N.A., as lenders, and Credit Agricole Corporate and Investment Bank, as the administrative agent. On March 25, 2020, Raízen Fuels Finance settled the amount of U.S.$250.0 million.

The 2019 Term Loan Credit contains customary covenants (such as financial statement reports, compliance with law, limitation on liens and limitation on fundamental changes and asset sales) and events of default.

*2019 Revolving Loan Facility Agreement*

On March 18, 2019, a Revolving Loan Facility Agreement was entered into between Raizen Fuels Finance S.A., as borrower, Raízen Energia and Raízen Combustíveis, as guarantors, JPMorgan Chase Bank, N.A., BNP Paribas, Mizuho Bank, LTD., The Bank of Nova Scotia, Banco Santander (Brasil) S.A., Grand Cayman Branch, HSBC France, MUFG Bank, Ltd. and Cooperative Rabobank U.A., as lenders and Mizuho Bank, Ltd., as the administrative agent, in aggregate principal amount of U.S.$300 million. This revolving loan facility bears interest at the LIBOR rate plus 1.05% per annum, and matures in April 2024. As of March 31, 2020, no disbursements had been made under this credit facility. For additional information, see note 18.n to our combined consolidated financial statements.

The 2019 Revolving Loan Facility Agreement contains customary covenants (such as financial statement reports, compliance with law, limitation on liens and limitation on fundamental changes and asset sales) and events of default.

*Backstop and Term Loan Facility Agreement*

On March 20, 2018, a backstop and term loan facility agreement was entered into between Raízen Combustíveis and Raízen Energia, as obligors, Citibank, N.A., Crédit Agricole Corporate and Investment Bank, JPMorgan Chase Bank, N.A., The Bank of Nova Scotia and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as lenders, and Crédit Agricole Corporate and Investment Bank, as the administrative agent, in an amount of U.S.$850 million, herein referred to as the Backstop Credit. Pursuant to this Backstop Credit, the obligors may withdraw U.S.$250 million under Tranche A loan and U.S.$600 million under Tranche B loan. This Backstop Credit bears interest at the LIBOR rate *plus* 0.75% per annum for Tranche A and 1.15% per annum for Tranche B, charges a commitment fee of 30% of the applicable margin depending on the Tranche and matures in one year anniversary upon receipt by the obligors of the Tranche A loan and six year anniversary upon receipt by the obligors of the Tranche B loan. As of March 31, 2020, no disbursements had been made under this credit facility.

The obligors shall use the proceeds of Tranche A and Tranche B loans made to them (1) to fund the purchase price of the acquisition of 100% of the capital stock of a corporation, limited liability company or similar business entity organized under the laws of Argentina and (2) for general corporate purposes, including pre-export financing.

The Backstop Credit contains customary covenants (such as compliance with law, reporting requirements, limitation on liens and limitation on fundamental changes and asset sales) and events of default (such as cross-default in principal amount in excess of U.S.$150 million and change of control).

*Committed Back-up Credit Facility Agreement*

On May 10, 2013, Raízen Energia, as borrower, entered into a committed back-up credit facility agreement with Cosan and Shell Finance (Netherlands) B.V., as lenders, in an amount of U.S.$500 million, herein referred to as the Committed Back-up Credit. The Committed Back-up Credit was amended and restated on December 20, 2016, with the amount thereof being increased to U.S.$700 million, and on June 6, 2018. This credit facility was amended and restated on May 05, 2020 and bears interest at the LIBOR rate *plus* 1.51% per annum, charges a commitment fee of 0.25% per annum and matures in May 2024 (with an automatic renewal for a further year). As of March 31, 2020, no disbursements had been made under this credit facility.

The Committed Back-up Credit contains customary covenants (such as compliance with law) and events of default (such as cross-default in principal amount in excess of U.S.$150 million).

*BNDES Financings*

BNDES has been an important source of debt financing for our capital expenditures. As of March 31, 2020, our outstanding BNDES loans totaled R$618.8 million, representing 2.4% of our total consolidated indebtedness. We have used the proceeds from these real-denominated loans mainly to finance the expansion of our sugar and ethanol milling capacity and electric energy bioenergy. Loans from BNDES are secured by liens on our property, plant and equipment. As of March 31, 2020, (1) 0.04% of the aggregate principal amount of our loans with BNDES bore

interest at the TJLP, (2) 1.74% of the aggregate principal amount of our loans with BNDES were indexed to a fixed rate, and (3) 0.15% of the aggregate principal amount of our loans with BNDES were indexed to UMBNDES (*Unidade Monetária BNDES*, a weighted average exchange variation on a basket of currencies, predominantly U.S. dollars) plus a spread. As of March 31, 2020, the TJLP was 5.09% per annum. The BNDES loans contain customary covenants and events of default for these types of transactions with BNDES (such as change of control, payment defaults, cross-acceleration, cross-payment default in financial debt as well as other provisions, including events of default, provided for in the provisions applicable to BNDES contracts ("*Disposições aplicáveis aos contratos do BNDES*")), approved by Resolution No. 665, of December 10, 1987, as amended.

On April 1, 2020, we drew down R$16.0 million under existing facilities with BNDES.

*Bank Export Credit Notes*

In 2013, Raízen Energia entered into a bank credit note (*nota de crédito de exportação*), or NCE, with certain financial institutions. The NCE accrues interest at a rate equal to 107% of the CDI rate and matures on October 30, 2020. As of March 31, 2020, the outstanding balance of the NCE was R$84.9 million.

The NCE contains customary covenants and events of default (such as change of control, payment defaults, cross-acceleration and cross-payment default in financial debt in principal amount in excess of R$200 million).

*Export Prepayment Contracts, or EPPs*

We entered into export prepayment contracts with several financial institutions to finance our future sugar exports. As of March 31, 2020, the total amount of EPPs is R$ 9.775,1 million, which includes the Backstop and Term Loan Facility Agreement described under "—Backstop and Term Loan Facility Agreement."

On May 8, 2020 Raízen Combustíveis entered into an EPP with Banco Santander S.A. in the amount of U.S.$50 million. This EPP matures in November 2020.

On May 28, 2020, Raízen Combustíveis entered into an EPP with Coôperatieve Rabobank U.A. in the amount of U.S.$50 million. The EPP matures in June 2022.

*Debentures*

First Issuance

Raízen Energia carried out its first issuance of debentures on October 15, 2013, in three series, in an aggregate amount of R$750 million, or the "Debentures of the First Issuance." The debentures are guaranteed by a corporate guarantee from Raízen Combustíveis. The first series accrues interest at a rate equal to 100% of the DI rate plus up to 0.89% per annum, which can be increased upon the occurrence of certain circumstances of each capitalization period, and matured on October 15, 2018. The second series accrues interest at a rate equal to 100% of the DI rate plus 0.94% per annum, which can be increased upon the occurrence of certain circumstances of each capitalization period, and matures on October 15, 2018. The third series accrues interest at the IPCA rate plus 6.38% per annum, which can be increased upon the occurrence of certain circumstances of each capitalization period, and matured on October 15, 2020. As of March 31, 2020, the aggregate outstanding balance of these debentures was R$304.0 million.

The Debentures of the First Issuance contain customary covenants and events of defaults (such as cross-acceleration and cross-payment default in principal amount in excess of R$100 million, merger or combination of the guarantor, sale of material assets, and cross-judgment in excess of R$50 million).

Fourth Issuance

Raízen Energia carried out its fourth issuance of debentures on November 15, 2019, in an aggregate amount of R$900 million, or the "Debentures of the Fourth Issuance." The single series accrues interest at a rate equal to IPCA plus 3.5390% per annum and matures on November 15, 2029. The Debentures of the Fourth Issuance are guaranteed by a corporate guarantee from Raízen Combustíveis. As of March 31, 2020, the aggregate outstanding balance of these debentures was R$900.0 million.

Fifth Issuance

Raízen Energia carried out its fifth issuance of debentures on June 15, 2020, in an aggregate amount of R$169.5 million, or the "Debentures of the Fifth Issuance." The single series accrues interest at a rate equal to IPCA plus 5.8000% per annum and matures on June 15, 2030. The Debentures of the Fifth Issuance are guaranteed by a corporate guarantee from Raízen Combustíveis.

The Debentures of the Fourth Issuance and Debentures of the Fifth Issuance contain customary covenants and events of default (such as cross-acceleration and cross-payment default in principal amount in excess of R$250 million, merger or combination of the guarantor, sale of material assets, and cross-judgment in excess of R$250 million).

Other Issuances of Debentures

The second (2019), third (2019) and fifth (2020) issuances of debentures by Raizen Energia, as well as the first issuance of debentures by Raizen Combustíveis (2017), corresponded to certain debt instruments subject to securitization of agribusiness receivables upon the issuance of Certificates of Agribusiness Receivables, or just CRA, as described below.

*Resolution No. 2,471 – Special Agricultural Financing Program (Programa Especial de Saneamento de Ativos, or PESA)*

In the period from 1998 to 2000, Raízen Energia and certain entities controlled by it renegotiated certain agricultural financings with certain financial institutions within the framework of Central Bank Resolution No. 2,471, of February 26, 1998. Pursuant to the PESA program, certain agricultural producers, with certain types of debt, were offered the opportunity to acquire CTNs in an effort to restructure their agricultural debts (with, in each case, the face value of the CTNs being equivalent to the value of the restructured debt and for a term of 20 years). As of March 31, 2020, the aggregate amount outstanding of our indebtedness restructured under the PESA program was R$271.8 million.

*Certificates of Agribusiness Receivables*

Certain CRAs were issued and publicly offered, and are backed by a debt instrument issued by Raízen Energia or Raízen Combustíveis, and guaranteed by Raizen Combustíveis and Raizen Energia, respectively. As of March 31, 2020, there were the following outstanding CRAs backed by Raízen's debt instruments:

| Engagement | Company | Issuer | Issuance | Series | Maturity | Principal (R$ thousands) | Funding expenditures (R$ thousands) |
|---|---|---|---|---|---|---|---|
| Oct 2014 | Raízen Energia | Gaia Agro Securitizadora S.A. (1) | 10th | 2nd | Dec 2021 | 101,987 | 1,887 |
| Jun 2015 | Raízen Energia | Gaia Agro Securitizadora S.A. | 14th | Single | Jun 2021 | 675,000 | 12,492 |
| May 2016 | Raízen Energia | RB Capital Companhia de Securitização | 1st | 3rd | May 2022 | 465,706 | 9,328 |
| May 2016 | Raízen Energia | RB Capital Companhia de Securitização (1) | 1st | 4th | May 2023 | 214,428 | 4,191 |
| May 2017 | Raízen Energia | RB Capital Companhia de Securitização | 1st | 6th | Apr 2023 | 738,814 | 13,273 |
| May 2017 | Raízen Energia | RB Capital Companhia de Securitização (1) | 1st | 7th | Apr 2024 | 230,877 | 4,192 |
| Dec 2017 | Raízen Combustíveis | RB Capital Companhia de Securitização | 1st | 11th | Dec 2023 | 501,489 | 8,634 |
| Dec 2017 | Raízen Combustíveis | RB Capital Companhia de Securitização (1) | 1st | 12th | Dec 2024 | 204,024 | 3,512 |
| Mar 2019 | Raízen Energia | RB Capital Companhia de Securitização | 6th | 1st | Mar 2025 | 300,000 | 6,585 |
| Mar 2019 | Raízen Energia | RB Capital Companhia de Securitização (1) | 6th | 2nd | Mar 2026 | 600,000 | 13,170 |
| Jul 2019 | Raízen Energia | True Securitizadora S.A. | 6th | 1st | Jul 2029 | 228,190 | 5,656 |
| Jul 2019 | Raízen Energia | True Securitizadora S.A. | 6th | 2nd | Jul 2029 | 787,658 | 19,525 |

(1) The issuance expenses were partially written off in our results due to certain operations with swaps, which were designated at fair value through certain results.

On December 16, 2019, we settled the first series of 10th Issuance of Gaia Agro Securitizadora S.A's CRA in the principal amount of R$573.0 million.

Additionally, on June 15, 2020, True Securitizadora S.A. issued and publicly offered a certain CRA in an aggregate amount of R$1.1 billion, backed by debt instruments issued by Raizen Energia and guaranteed by Raízen Combustíveis. The first series of CRA accrues interest at a rate equal to IPCA plus 5.4000% per annum and matures on June 15, 2027. The second series of CRA accrues interest at a rate equal to IPCA plus 5.8000% per annum and matures on June 15, 2030.

Funds raised were used for our operations, which are substantially related to agribusiness, in the ordinary course of our business, which includes transactions, investments and financing needs related to production, trading, processing or industrialization of agricultural products and inputs or of machinery and inputs used in agricultural activity.

*Schuldschein*

In October 2014, the Issuer, as the borrower, and Raízen Energia and Raízen Combustíveis, as the guarantors, entered into financing agreements with certain private investors in the amount of €66 million, bearing interest at 2.875% per annum and maturing in October 2021. As of March 31, 2020, the aggregate outstanding balance of this financing agreement was R$201.0 million.

In addition, in January 2015, Raízen Combustíveis entered into a financing agreement with certain private investors through its subsidiary Raízen Fuels Finance Limited in the amount of €40 million with fixed annual interest rate of 2% per annum plus Euro Interbank Offered Rate, or EURIBOR rate, resulting in effective average rate of 1.86% per annum and final maturity in January 2022. As of March 31, 2020, the aggregate outstanding balance of this financing agreement was R$121.1 million.

On September 21, 2015, the Issuer, as the borrower, and Raízen Energia and Raízen Combustíveis, as the guarantors, entered into a financing agreement with certain private investors in the amount of €60 million, bearing interest at the three-month EURIBOR rate *plus* 2.30% per annum, and maturing in September 2022. As of March 31, 2020, the aggregate outstanding balance of this financing agreement was R$264.2 million.

*Rural Product Notes*

During the year ended March 31, 2020, Raízen Energia entered into Rural Product Notes, or CPRs, to fund its soil preparation, sugarcane planting and treatment. As of March 31, 2020 the outstanding balance of the CPR-F is R$2 billion.

*Advances on Currency Exchange Contracts (ACCs)*

As of March 31, 2020, the total amount of Advances on Currency Exchange Contracts, or ACCs is U.S.$169.2 million.

On April 9, 2020, Raízen Energia entered into an Advance on Currency Exchange Contract in the amount of U.S.$25 million. The ACC has a fixed interest rate and matures in April 2021.

*Short-term Loan*

On April 17, 2020, Raízen Argentina entered into a short-term loan (*préstamo a corto plazo*) with the Argentine branch of Citibank N.A. for a total amount of ARS2.6 billion, maturing on July 16, 2020.

***Restrictive Covenants***

Our financing agreements do not require us to comply with financial ratio covenants. We are required to comply with other covenants, including negative pledge and cross-default. As of the date of this offering memorandum, we were in compliance with the covenants in our financing agreements.

***Working Capital***

As of March 31, 2020, our working capital (which we define as current assets less current liabilities) totaled R$2,962.9 million compared to working capital of R$4,715.4 million as of March 31, 2019, representing a decrease

of 37.2%. As of March 31, 2019, we had working capital of R$4,715.4 million, compared to R$6,531.8 million as of March 31, 2018, representing a decrease of 27.8%.

***Capital Expenditures – Investments***

The following table sets for our capital expenditures for the periods indicated:

| | As of and for the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | | **(in R$ millions)** | |
| Raízen Combustíveis | 1,233.6 | 1,124.4 | 811.3 |
| Raízen Energia | 2,827.0 | 2,641.7 | 2,378.7 |
| **Total** | **4,060.6** | **3,766.1** | **3,190.0** |

In the fiscal year ended March 31, 2020, capital expenditures totaled R$4,060.6 million compared to R$3,766,1 million in the fiscal year ended March 31, 2019, representing an increase of 7.8%. In the fiscal year ended March 31, 2019, capital expenditures totaled R$3,766,1 million, compared to R$3,190.0 million in the fiscal year ended March 31, 2018, representing an increase of 18.1%.

Our capital expenditure, or investments, considers cash flow from investing activities, with the following adjustments: inclusion of asset expenses arising from contracts with clients and exclusion of company acquisitions and investment additions on subsidiaries. The program is currently focused on the following areas:

- *Raízen Combustíveis*: continuing retail growth through selective white pumps branding and regional acquisitions, strategic positioning in infrastructure, innovative payment methods; and

- *Raízen Energia*: continuing capture of efficiencies through use of new technologies and process improvements, participating in the expected market consolidation through selective acquisitions and partnerships, E2G, straw and biogas expansion, recurring maintenance in the interharvest period, asset integrity and expenses relating to health, safety and environmental matters.

At Raízen Combustíveis in Brazil we had expenditure with infrastructure investments in the five years ended March 31, 2020 in the amount of R$871 million and we are currently planning to spend approximately R$249 million during 2020 and 2021.

***Total Expenditures – Raízen Energia***

The following table sets forth Raízen Energia's total expenditures, which comprise Raízen Energia's operating and capital expenditures adjusted by the IPCA, for the periods indicated:

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | | **(in R$ millions)** | |
| Fixed | 2,426.3 | 2,303.7 | 2,270.0 |
| Variable | 2,304.0 | 2,369.2 | 1,969.0 |
| **Total** | **4,730.3** | **4,672.9** | **4,239.0** |

***Planting and Land treatment – Raízen Energia***

The following table sets forth Raízen Energia's expenditures on planting and land treatment, adjusted by the IPCA, for the periods indicated and the planting areas:

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | (in R$ billion) | | |
| Planting expenditures | 0.7 | 0.7 | 0.5 |
| Land treatment expenditures | 0.6 | 0.6 | 0.5 |
| **Total** | **1.3** | **1.3** | **1.0** |

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | (in k hectares) | | |
| Planting area | 100.1 | 81.9 | 80.8 |

**Off Balance Sheet Arrangements**

We do not maintain any off-balance sheet arrangements.

**Contractual Obligations**

The following table sets forth the maturity schedule of our material contractual financial obligations as of March 31, 2020:

| | Up to 1 year | Up to 2 years | 3 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| | (in R$ millions) | | | | |
| Loans and financing(1) | 5,551.5 | 2,054.1 | 11,207.7 | 11,511.4 | 30,324.7 |
| Suppliers | 10,227.0 | — | — | — | 10,227.0 |
| Third party and related party lease liabilities(1) | 1,438.7 | 1,217.4 | 2,325.0 | 1,833.2 | 6,814.3 |
| Derivative financial instruments | 3,640.4 | 27.5 | 27.6 | 53.0 | 3,748.5 |
| Related parties(1) (2) | 1,317.3 | — | — | 477.4 | 1,794.7 |
| **Total** | **22,174.9** | **3,299.0** | **13,560.3** | **13,875.0** | **52,909.2** |

(1) Undiscounted contractual cash flows.

(2) Except related party lease liabilities.

**Quantitative and Qualitative Disclosures about Market Risk**

***Risk Management***

The Company, its subsidiaries and jointly-controlled entities are exposed to market risks, mainly comprised by: (1) credit risk; (2) liquidity risk; (3) price risk; (4) interest rate risk; and (5) foreign currency exchange rate risk. In order to manage market risks, we have adopted policies and procedures which establish limits and monitor risk exposure, counterparties and approve financial instruments. Risk and financial instrument management activities are carried out through the definition of strategies, establishment of control systems and determination of limits to exposure to market risks. We periodically review our exposure to market risks and determine at the senior management level how to manage and reduce the impact of these risks.

We have specific treasury and trading policies that set risk management guidelines. In addition, we have two main committees to monitor activities and ensure policy compliance: (1) a risk committee whose members gather weekly to analyze the behavior of commodity and foreign exchange markets and decide on coverage positions and the strategy to fix the prices of exports and imports to reduce the negative effects of changes in prices and foreign exchange rate; and (2) an ethanol and by-products committee whose members gather monthly to assess the risks posed by the sale of ethanol and by-products to comply with the limits set on risk policies.

We use derivatives to manage market risk, especially commodity price and foreign exchange rate fluctuations. Although the value of these hedge instruments varies, these variations are usually offset by the value of the related hedged item. The parties to these agreements are mainly trade boards and trading companies in the case of futures, options and price setting, and major financial institutions in the case of foreign exchange derivatives and interest rate swaps. The Company does not use derivatives or other hedge instruments for speculative purposes.

See note 27 to our combined consolidated financial statements for the fiscal year ended March 31, 2020 included elsewhere in this offering memorandum for further information.

*Credit Risk*

Credit risk is managed through specific rules concerning client acceptance, which require credit rating checks and limits for customer exposure, applicable to all subsidiaries and jointly-controlled entities. In Raízen Energia, a letter of credit from top tier banks is required for most of our sugar export sales. We do not believe that we are subject to any material credit risk and we do not anticipate any material credit-related losses. Management believes that any credit risk is covered by the allowance for doubtful accounts recorded in our statement of financial position.

See note 27 to our combined consolidated financial statements for the fiscal year ended March 31, 2020 included elsewhere in this offering memorandum for further information.

*Liquidity Risk*

Liquidity risk arises where we may encounter difficulties in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. Our approach to managing liquidity is to ensure, to the extent possible, that we will have sufficient liquidity to meet our liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation. We believe our cash on hand, cash flow from operations, remaining availability under credit lines and additional funding from Brazilian and international financial institutions and funds we receive in distributions and/or loans from our subsidiaries will be sufficient to meet our ongoing operating requirements, make scheduled principal and interest payments on our outstanding loans and financing, make dividend distributions required under the Brazilian Corporate Law and fund our capital expenditures for the foreseeable future. See "—Contractual Obligations" and note 27 to our combined consolidated financial statements for the fiscal year ended March 31, 2020 included elsewhere in this offering memorandum for further information.

*Price Risk*

Price risk arises from the possibility of a decrease in the price of products sold by Raízen, mainly sugar, diesel, gasoline, ethanol, energy and crude oil. Raízen conducts sensitivity tests to estimate its exposure to these risks and uses derivatives to mitigate its exposure to price oscillation in the international market. Derivative operations allow the Company to ensure an average margin for future sales. Raízen actively manages its open positions and monitors the result of these activities on a daily basis through effective mark-to-market controls and price impact simulations so that it may adjust targets and strategies due to changes in market conditions.

Raízen Energia is exposed to agricultural commodity price and supply levels according to unpredictable factors such as the weather, investments, government programs and policies and changes in word demand. For risk management purposes and to evaluate the overall level of commodity price exposure, Raízen further reduces its exposure to agricultural commodity market risk related to the sugar and ethanol produced from sugarcane that is purchased from growers and sugarcane harvested from leased land, as both costs are linked to total sugar recovered, or TSR (the total amount of sugar content in the sugarcane), established by Consecana. The price of sugarcane supplied by growers or the lease payments incurred to produce sugarcane harvested by Raízen from leased land is indexed to the market price of sugar and ethanol, which provides a partial natural hedge to domestic sugar and ethanol sales price exposure.

The table below provides information about Raízen Energia's and Raízen Combustíveis' derivative contracts that are sensitive to changes in commodity prices as of March 31, 2020. For the derivative contracts, the table presents the notional amounts in tons, the weighted average contract prices, and the total U.S. dollar contract amount by expected maturity dates.

*Price Risk – Commodities Derivatives Opened as of March 31, 2020*

The table below sets forth our price risks regarding goods derivatives outstanding as of March 31, 2020:

| Derivatives | Purchased / Sold | Market | Contract | Maturity | Notional (units) | | Notional (R$ thousand) | Fair value (R$ thousand) |
|---|---|---|---|---|---|---|---|---|
| Future | Sold | NYSE LIFFE | Sugar#5 | Apr/20–July/20 | 92,950 | t | 179.5 | 15.5 |
| Future | Sold | ICE | Sugar#11 | Apr/20–Feb/22 | 4,808,752 | t | 7,657.8 | 1,612.3 |
| Options | Sold | ICE | Sugar#11 | Apr/20–Feb/22 | 1,055,471 | t | 88.3 | (166.2) |
| Sub-total sugar future sold | | | | | 5,957,173 | t | 7,925.6 | 1,461.6 |
| Future | Purchased | NYSE LIFFE | Sugar#5 | Apr/20–July/20 | (43,850) | t | (87.8) | (8.6) |
| Future | Purchased | ICE | Sugar#11 | Apr/20–June/21 | (2,080,765) | t | (3,293.6) | (746.5) |
| Options | Purchased | ICE | Sugar#11 | Apr/20–June/21 | (1,107,899) | t | (63.4) | 280.8 |
| Options | Purchased | OTC | Sugar#11 | Apr/21–Apr/21 | (485,934) | t | (123.3) | (0.8) |
| Sub-total sugar future purchased | | | | | (3,718,448) | t | (3,568.1) | (475.1) |
| Subtotal sugar future | | | | | 2,238,725 | t | 4,357.5 | 986.5 |
| Future | Sold | B3 | Ethanol | Mar/20–Sept/20 | 3,150 | m³ | 31.8 | 0.3 |
| Future | Sold | CME | Ethanol | Apr/20–Mar/21 | 679,530 | m³ | 2,006.8 | 351.4 |
| Future | Sold | OTC | Ethanol | Apr/20–Mar/21 | 749,225 | m³ | 583.3 | 19.4 |
| Options | Sold | OTC | Ethanol | Apr/20–June/20 | 4,500 | m³ | (0.6) | (3.1) |
| Sub-total ethanol future sold | | | | | 1,436,405 | m³ | 2,621.3 | 368.1 |
| Future | Purchased | B3 | Ethanol | Mar/20–Sept/20 | (15,600) | m³ | (149.6) | (0.8) |
| Future | Purchased | CME | Ethanol | Apr/20–Dec/20 | (561,300) | m³ | (1,684.4) | (292.3) |
| Future | Purchased | OTC | Ethanol | Apr/20–Mar/21 | (662,250) | m³ | (442.7) | 4.5 |
| Option | Purchased | CME | Ethanol | Apr 2020 | (1,000) | m³ | (0.0) | (0.0) |
| Sub-total ethanol future purchased | | | | | (1,240,150) | m³ | (2,276.8) | (288.6) |
| Physical fixed | Sold | CHGOETHNL | Ethanol | Apr/20–Mar/21 | 390,818 | m³ | 890.1 | 74.0 |
| Sub-total physical fixed ethanol sold | | | | | 390,818 | m³ | 890.1 | 74.0 |
| Physical fixed | Purchased | CHGOETHNL | Ethanol | Apr/20–Feb/21 | (554,326) | m³ | (933.2) | (8.1) |
| Sub-total physical fixed ethanol purchased | | | | | (554,326) | m³ | (933.2) | (8.1) |
| Sub-total future physical fixed ethanol | | | | | 32,747 | m³ | 301.6 | 145.4 |
| Future | Sold | NYMEX | Gasoline | Apr/20–Feb/22 | 706,119 | m³ | 1,356.2 | 584.4 |
| Future | Sold | ICE | Gasoline | Apr/20–Dec/21 | 508,005 | m³ | 803.0 | 286.8 |
| Options | Sold | OTC | Gasoline | Apr/20–May/20 | 55,968 | m³ | (4.9) | 3.0 |
| Sub-total future gasoline purchased | | | | | 1,270,092 | m³ | 2,154.3 | 874.2 |
| Future | Purchased | NYMEX | Gasoline | Apr/20–June/21 | (519,771) | m³ | (853.8) | (279.0) |
| Future | Purchased | ICE | Gasoline | Apr/20–Dec/21 | (508,005) | m³ | (796.0) | (279.8) |
| Options | Purchased | CME | Gasoline | Apr/20–May/20 | (55,968) | m³ | 8.1 | 0.2 |
| Sub-total future gasoline sold | | | | | (1,083,744) | m³ | (1,641.7) | (558.6) |
| Subtotal future gasoline | | | | | 186,348 | m³ | 512.6 | 315.6 |
| Physical fixed | Sold | OTC | Energy | Apr/20–Dec/31 | 13,876,619 | mwh | 2,706.4 | 501.1 |
| Physical fixed | Purchased | OTC | Energy | Apr/20–Dec/31 | (13,876,619) | mwh | (2,422.8) | (217.3) |
| Subtotal future physical fixed electric power | | | | | - | | 283.6 | 283.8 |
| Future | Purchased | NYMEX | Gasoline | Apr 2020 | (35,616) | m³ | (40.9) | (11.8) |
| Future | Purchased | NYMEX | Heating oil | Apr/20–May/20 | (77,750) | m³ | (75.7) | (38.9) |
| Sub-total future heating oil/gasoline purchased | | | | | (113,366) | m³ | (116.6) | (50.7) |
| Future | Sold | NYMEX | Gasoline | Apr 2020 | 175,059 | m³ | 309.8 | 167.3 |
| Future | Sold | NYMEX | Heating Oil | Apr/20–May/20 | 335,649 | m³ | 449.0 | 57.5 |
| Sub-total heating oil/gasoline sold | | | | | 510,708 | m³ | 758.8 | 224.8 |
| Sub-total heating oil/gasoline | | | | | 397,342 | m³ | 642.2 | 174.1 |
| Net exposure of commodity derivatives as of March 31, 2020 | | | | | | | 6,097.4 | 1,905.3 |
| Net exposure of commodity derivatives as of March 31, 2019 | | | | | | | 2,284.4 | 81.0 |

*Interest Rate Risk*

We have fixed and floating rate indebtedness and, therefore, we are exposed to market risk as a result of changes in interest rates. See "—Indebtedness" for further information.

Our interest rate risk refers to the impact of an increase in certain interest rate indexes used in certain of our loans and financings may have in the cost of our indexed indebtedness and, consequently, on our financial results. As of March 31, 2020, R$19,478.3 million or 76.8% of our total loans and financings were indexed to variable interest rates. The table below shows a breakdown of our variable rate indebtedness by index as of March 31, 2020.

| | As of March 31, 2020 | |
|---|---|---|
| | (in R$ million) | (in percentages) |
| LIBOR | 9,774.9 | 38.5 |
| EURIBOR | 609.2 | 2.4 |
| TJLP | 10.5 | 0.0 |
| UMBNDES | 37.7 | 0.1 |
| CDI | 5,083.0 | 20.0 |
| IPCA | 2,518.6 | 9.9 |
| IGP-M | 329.0 | 1.3 |
| **Total (variable interest rates)** | **19,478.3** | **76.8** |
| **Fixed rate** | **5,882.1** | **23.2** |
| **Total** | **25,360.4** | **100.0** |

We monitor fluctuations in interest rates applied to certain debts, particularly those exposed to LIBOR, and use derivative instruments to manage those risks. The table below shows the positions outstanding as of March 31, 2020, for derivatives used to cover interest rate risks:

| | | | Interest rate risk: Interest derivatives, outstanding as of March 31, 2020 | | | | |
|---|---|---|---|---|---|---|---|
| Derivatives | Purchased / Sold | Market | Contract | Maturity | Notional (U.S.$ thou.) | Notional (R$ thousand) | Fair value (R$ thousand) |
| Interest rate swap | Sold | OTC | Interest rate swap | Oct 2020 | 77.1 | 400.9 | (17.9) |
| Interest rate swap | Purchased | OTC | Interest rate swap | Oct/20–Nov/29 | (666.4) | (3,464.5) | 212.9 |
| Sub-total interest rate swap | | | | | (589.3) | (3,063.6) | 195.0 |
| Net exposure of interest derivatives as of March 31, 2020 | | | | | (589.3) | (3,063.6) | 195.0 |
| Net exposure of interest derivatives as of March 31, 2019 | | | | | (348.2) | (1,357.0) | 140.6 |

See note 27 to our combined consolidated financial statements for the fiscal year ended March 31, 2020 included elsewhere in this offering memorandum for further information.

*Foreign Currency Exchange Rate Risk*

Exchange rate risks arise from the possibility of fluctuations in the exchange rates used by Raízen for export revenues, imports, financing cash flows and other foreign currency assets and liabilities.

A significant portion of the revenue of Raízen Energia is dollar denominated. Most of Raízen Energia's costs are denominated in *reai*s and therefore, when the *real* appreciates against dollar, its operating margins are adversely affected. A considerable part of Raízen's debt is also denominated in dollars, exposing it to the risk of variations in the *real* to U.S. dollar exchange rate (derivative financial instruments are used to hedge the cash flows for payment of interest of these debts).

Raízen Energia has foreign exchange derivatives in order to mitigate its exposure to the effect of foreign exchange variations on its sugar and ethanol export revenues, combined with cash outlays to cover its debt commitments in foreign currency, mainly the U.S. dollar. The exchange rate derivatives together with the sugar price derivatives allow Raízen to ensure an average margin from future sales. Raízen actively manages open positions and uses financial derivative instruments to hedge foreign exchange risk. The table below shows the positions outstanding as of March 31, 2020 for derivatives used to cover foreign exchange rate risks:

| | | | Exchange rate risk: outstanding foreign exchange derivatives on March 31, 2020 | | | | |
|---|---|---|---|---|---|---|---|
| Derivatives | Purchased / Sold | Market | Contract | Maturity | Notional (U.S.$ thousand) | Notional (R$ thousand) | Fair value (R$ thousand) |
| Future | Sold | B3 | Trade dollar | Apr/20–May/20 | 643.5 | 3,345.4 | (12.3) |

| | | | Exchange rate risk: outstanding foreign exchange derivatives on March 31, 2020 | | | | |
|---|---|---|---|---|---|---|---|
| Derivatives | Purchased / Sold | Market | Contract | Maturity | Notional (U.S.$ thousand) | Notional (R$ thousand) | Fair value (R$ thousand) |
| Subtotal future sold | | | | | 643.5 | 3,345.4 | (12.3) |
| Future | Purchased | B3 | Trade dollar | Apr/20–May/20 | (608.5) | (3,163.4) | 11.3 |
| Subtotal future bought | | | | | (608.5) | (3,163.4) | 11.3 |
| Subtotal future purchased/sold | | | | | 35.0 | 182.0 | (1.0) |
| Term | Sold | OTC/B3 | Non Deliverable Forward - NDF | Apr/20–May/20 | 4,212.7 | 21,900.4 | (1,646.3) |
| Term | Purchased | OTC/B3 | NDF | Apr/20–May/20 | (3,165.4) | (16,456.0) | 903.5 |
| Subtotal term purchased/sold | | | | | 1,047.3 | 5,444.4 | (742.8) |
| FX swap | Sold | OTC | FX swap | Oct/21–Jan/27 | 506.0 | 2,630.5 | (1,197.5) |
| FX swap | Purchased | OTC | FX swap | Apr/20–Jan/27 | (3,525.7) | (18,329.1) | 4,236.9 |
| Subtotal FX swap | | | | | (3,019.7) | (15,698.6) | 3,039.4 |
| Net exposure of foreign exchange derivatives as of March 31, 2020 | | | | | (1,937.4) | (10,072.2) | 2,295.6 |
| Net exposure of foreign exchange derivatives as of March 31, 2019 | | | | | (1,581.6) | (6,163.0) | 690.4 |

As of March 31, 2020, the fair value of our outstanding foreign currency exchange rate derivatives was R$2,295.6 million, which comprised forward, future, swap and put option contracts as disclosed in note 27 of our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2020.

The following table summarizes our net exposure to foreign exchange risk as of the dates indicated:

| | As of March 31, 2020 | | As of March 31, 2019 | |
|---|---|---|---|---|
| | R$ | U.S.$ (1) | R$ | U.S.$(2) |
| Cash and cash equivalents | 5,530.0 | 1,063.7 | 2,149.0 | 554.3 |
| Restricted cash | 127.4 | 24.5 | 153.0 | 39.5 |
| Accounts receivable – Abroad | 1,007.3 | 193.8 | 642.9 | 165.8 |
| Related parties | (572.2) | (110.1) | (1,980.9) | (511.0) |
| Suppliers | (6,139.5) | (1,181.0) | (4,155.6) | (1,071.9) |
| Loans and financing | (15,736.4) | (3,027.0) | (10,247.5) | (2,643.3) |
| Lease liabilities | (528.6) | (101.7) | — | — |
| Derivative financial instruments(3) | | 1,937.4 | | 1,581.6 |
| Net foreign exchange exposure | | (1,200.3) | | (1,885.0) |
| Derivatives settled in the month following the closing(4) | | 2.3 | | — |
| Net foreign exchange exposure as of March 31, 2020 and March 31, 2019(5) | | (1,198.0) | | (1,885.0) |
| Net foreign exchange exposure as of March 31, 2019 | | (1,885.0) | | (788.9) |

(1) Solely for the convenience of the reader, we have translated the amounts included in this column from *reais* into U.S. dollars using the U.S. dollar selling rate reported by the Central Bank as of March 31, 2020 of R$5.1987 per U.S.$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in reais represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

(2) Solely for the convenience of the reader, we have translated the amounts included in this column from *reais* into U.S. dollars using the U.S. dollar selling rate reported by the Central Bank as of March 31, 2019 of R$3.8767 per U.S.$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

(3) Refers to the notional foreign exchange derivative transactions.

(4) Maturity on April 2020, whose settlement was given by PTAX on the last closing day of the month.

(5) The net foreign exchange exposure, this will be substantially offset by probable future revenues of export products and/or import products.

As a measure of our market risk with respect to our foreign currency exposure, a hypothetical 25% appreciation of the *real* against the U.S. dollar would increase our export sales by approximately R$4,078.0 million per year, based on the level of our total export sales for the fiscal year period ended March 31, 2020, before considering the effects on U.S. dollar derivative contracts and other dollar denominated assets and liabilities, as set forth below:

| U.S. dollar financial instruments outstanding as of March 31, 2020 | Carrying Amount | Foreign Exchange Gain/ Loss – 25% FX rate Increase |
|---|---|---|
| | (in thousands of *reais*) | |
| Cash and cash equivalents | 5,530.0 | 1,382.5 |
| Restricted cash | 127.4 | 31.9 |
| Accounts receivable from abroad | 1,007.3 | 251.8 |
| Related parties (net) | (572.2) | (143.0) |
| Suppliers | (6,139.5) | (1,534.9) |
| Loans and financing | (15,736.4) | (3,934.1) |
| Lease liabilities | (528.6) | (132.1) |

***Hedging Transactions and Exposures***

Our management has overall responsibility for the establishment and oversight of our risk management framework. Our risk management policies are established to identify and analyze the risks that we face, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and our activities. Our management, through its training, standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

See note 27 to our combined consolidated financial statements for the fiscal year ended March 31, 2020 included elsewhere in this offering memorandum for further information.

## BUSINESS

### Overview

We are an integrated energy company, established in June 2011 as a 50%-50% joint venture between Cosan and Shell. We are among the market leaders in Brazil in the sectors in which we operate: fuel distribution, and ethanol, sugar and bioenergy production. We conduct our business in a sustainable and vertically integrated manner, and participate in all stages of the value chain from planting, harvesting and processing to storage, logistics and sales of our wide range of products. We are the fourth largest company in Brazil in terms of net revenues according to the Valor 1000 Ranking prepared by the "Valor Econômico" newspaper. Some of our key competitive strengths in our business segments include (1) large-scale production and distribution, (2) operational excellence driven by innovation and technology optimization, (3) a highly developed logistics infrastructure and integration, (4) a balanced risk profile, (5) strong brand recognition, and (6) a strong credit profile.

Our strategic goals are to be a fully integrated energy company and market leading player capable of generating sound and resilient results through our scaled business, as well as to be the efficiency benchmark in each of the sectors in which we operate.

#### *Raízen Combustíveis*

We distribute fuels in the Brazilian and Argentine markets through Raízen Combustíveis.

Raízen Combustíveis is the second largest fuel distributor in Brazil and is engaged in sourcing, storing, blending and distributing gasoline, ethanol, diesel and aviation fuel through a network of 6,578 Shell-branded retail service stations (1,067 of which feature integrated convenience stores) throughout Brazil, with consistent growth year over year. We believe our fuel distribution operations have the highest average throughput in the industry (a key metric of efficiency based on public data) in Brazil and leverage our logistics and infrastructure footprint, selected site locations, good relationships with dealers and operational excellence.

Our Argentina downstream operations are a fully integrated business, encompassing refining, marketing and distribution of a range of petroleum products to wholesale and retail customers. Raízen's Buenos Aires refinery is the second largest crude oil refinery in Argentina in terms of capacity with total nameplate capacity of 108 kbbls/day, accounting for 16% of total Argentinian refining capacity. We also have one of the largest network of retail stations in Argentina with a 21% combined gasoline and diesel market share and the highest premium penetration (34%).

Raízen Combustíveis benefits from its strategically located assets, the majority of which are concentrated near major consumer markets, allowing capture of efficiencies associated to the higher consumption patterns and lower costs due to the available fuel distribution infrastructure.

Our strategic goals are to be the preferred choice for dealers and clients and the most efficient fuel distributor (in terms of gallons per station) in the markets in which we operate. We are focused on continued retail growth, mainly through selective white pumps branding. In addition, we are also focused on the strategic positioning of our infrastructure, a key element to achieve optimal logistic and supply costs.

We are also continuously developing our non-fuels business with the aim of improving customer experience in convenience stores, in particular with the recently announced Joint Venture with Femsa Comércio, S.A. de C.V. and its subsidiaries (together, "FEMCO"), "Nós". The development of innovative payment methods and the Shell Box web-based platform is also a key element to improve customer experience, combined with an offering of premium products through our VPower portfolio.

#### *Raízen Energia*

We are the largest Brazilian sugarcane processing company and the largest producer-exporter of sugar. The integration, flexibility and organization of our assets in large clusters enable us to reduce our costs of production, supply and logistics and achieve economies of scale unattainable by smaller market participants.

Our core business is the production and sale of a variety of products derived from sugarcane, including anhydrous and hydrous ethanol and varieties of sugar, as well as bioenergy generated from sugarcane bagasse and

ethanol trading. Raízen Energia operates 26 mills mainly located across five clusters in the Central-South region of Brazil, with a current crushing capacity of approximately 73 million tons of sugarcane per year in aggregate. Raízen Energia's production units are self-sufficient in energy consumption and 13 of them have long-term contracts for the sale of surplus power to the Brazilian national electricity grid.

Our strategic goals are to be the lowest-cost producer in the markets in which we operate, to capture incremental value in the sales value chain, expand our trading operations and to further develop our renewable energy business by leveraging on the transition towards renewable energy.

In order to achieve our goal, we are focused on delivering efficiencies through additional investments in our fields, precision agriculture and portfolio optimization, in order to achieve an optimal balance of own and third-party sugarcane and an optimal combination of mills, clustered in logistic hubs.

Our key strategic objectives also include developing alternative uses for sugarcane biomass (straw, bagasse and other byproducts) leveraging proprietary technologies (second-generation ethanol (also known as "E2G"), sugarcane pellets and vinasse biogas) to further develop opportunities in our renewable energy business, locally and globally.

**Our Competitive Strengths**

As a low-cost, large-scale producer and distributor with well-established and integrated operations in the energy and fuels sectors, Raízen is able to create and capture value in the current and upcoming market context due mainly to:

***Leading positions in the markets we operate***

We enjoy leading market positions in all of the markets in which we operate, including:

- *Fuel Distribution*: through Raízen Combustíveis, we are Brazil's second largest fuel distributor, with an estimated combined 20.9% market share in terms of combined volume sold by major companies for the fiscal year ended March 31, 2020, according to ANP. Additionally, we enjoy significant brand recognition by operating under the Shell brand name, which brings benefits from higher sales of value-added products (for instance, gasoline and differentiated fuels such as Shell V-Power and Shell Evolux); and

- *Sugar, Ethanol, and Bioenergy*: through Raízen Energia, the largest sugarcane processor in Brazil, we crushed 59.6 million tons and sold 3,900 thousand tons of sugar in the fiscal year ended March 31, 2020 (67% of which was sold abroad). We sold 5,325 million liters of ethanol (including 2,498 million liters of own production) in the same period (36% of which was sold abroad). As of March 31, 2020, we had a total installed energy generation capacity of 1 GW.

***Strategically located assets with significant geographic synergy***

Our existing mills, sugarcane fields, fuel distribution terminals and other assets are strategically located nationwide, and are concentrated near the largest consumer markets in the country.

- *Fuel distribution*: Raízen Combustíveis' distribution assets consist of 70 terminals, which are either operated by us or by third parties. Our terminals are strategically located mainly in the Southeast and South regions of Brazil near major fuel markets and fuel distribution infrastructure. We have also developed a strong infrastructure in North and Northeast Brazil, as well as import hubs, to make our supply strategy more competitive. In addition, our refinery is located in the metropolitan area of Buenos Aires, with direct access to Argentina's major market.

- *Sugar, Ethanol and Bioenergy*: of our 26 mills, 24 are located in the state of São Paulo where they operate in clusters allowing operational synergies and leveraging from their proximity to each other. The state of São Paulo is one of the world's most productive sugarcane regions, primarily because of its favorable soil, topography and climate, and nearby research and development organizations and infrastructure facilities. The average distance from the fields where Raízen's sugarcane is harvested to our mills is approximately 30 kilometers (approximately 19 miles). The proximity of our milling facilities to the land on which Raízen's sugarcane is cultivated reduces our transportation costs and enables us to process sugarcane within 48 hours of harvesting, thereby maximizing sucrose recovery.

***Synergies from an integrated supply and logistics platform***

We are a vertically integrated energy company, active in every phase of activity from cane production to fuels distribution. Once harvested, we crush and refine the sugarcane in our mills to produce sugar and ethanol, and generate electricity through bioenergy from sugarcane bagasse. We export and distribute our sugar and ethanol through a variety of channels, including our affiliates in Brazil and abroad, through our distribution subsidiaries Raízen Trading LLP and Raízen International Universal Corporation. We generate significant synergies from this integration.

As the world's largest processor of sugarcane and the second largest fuel distributor in Brazil, we benefit from our knowledge on sugar and ethanol supply and demand dynamics, which allows us to optimize our decision-making process in areas like sugar and ethanol production mix, inventory levels, sales timing and commercial/pricing strategy. With those differentials, we are in a unique position to capture additional value from fluctuations in ethanol prices during harvest periods.

We believe that the increasing integration of trading and supply of our fuel distribution businesses in Argentina and Brazil is also a competitive advantage.

***Balanced risk profile***

Our diversified businesses coupled with our financial position and large scale generate a unique and balanced risk profile among South American companies. Raízen Energia's sugar and ethanol operations benefit from high and more-volatile margins, while Raízen Combustíveis' large-scale downstream fuels distribution business benefits from consistent performance and stable cash flows.

Sugar prices, ethanol prices, oil products prices and exchange rates are the main market risks within our sugar, ethanol and energy business. We believe we have a robust framework to manage those risks which includes, among other things: (i) policies dealing with trading and treasury risks approved by our board of directors; (ii) an independent risk management structure to monitor all exposures on a daily basis; and (iii) a senior risk committee that meets on a weekly basis to discuss and monitor sugar and ethanol prices, exchange rate exposures, hedging positions, margin calls (cash at risk), counterparty risk and stress scenarios.

***Strong shareholder commitment***

We believe Raízen is a valuable asset for its shareholders. As a result of its brand licensing agreement with Shell, Raízen has grown to become one of the largest downstream businesses for Shell globally and is a key vehicle for Shell's growth in the renewable energy sector. Raízen is a key asset in Cosan's portfolio and benefits from Cosan's expertise in the sugar and ethanol business. Shareholder commitment is demonstrated by their stand-by committed line of credit of U.S.$700 million and by the seniority of the members of the board of directors designated by each of our shareholders.

***Experienced and professional management team with a culture of meritocracy***

We have a strong and complementary management team with extensive experience in the sugar and ethanol businesses as well as in the fuel distribution business. Unlike many of our domestic competitors in the sugar and ethanol industries, we have completed the evolution from a family-operated business to a company managed by professionals with significant experience in the energy and infrastructure industries. At the time of the creation of the Raízen joint venture between Cosan and Shell, key executive officers from both shareholders' management teams have joined our management team and successfully implemented a culture of meritocracy. For more information, see "Management."

***Strong balance sheet and credit profile***

Since our inception, we have adopted financial and treasury policies designed to promote a credit profile commensurate with an investment grade rating. Accordingly, we currently adhere to the following key principles:

- a focus on financing recurring/operational capital expenditure from operational cash flows, with a cushion for adverse scenarios; and

- dividend payments established on an annual basis taking into consideration (1) cash generated throughout the period, (2) our growth plan, (3) access to financing, and (4) maintenance of a credit profile commensurate with an investment grade rating.

We maintain a highly manageable debt amortization profile and benefit from adequate liquidity given our cash reserves of R$8.6 billion (as of March 31, 2020). In addition, Raízen's liquidity is also reinforced by our existing bank revolving credit facility of U.S.$300 million and our shareholders' committed line of credit of U.S.$700 million. For additional information on our revolving credit facility, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Material Financing Agreements—Revolving Loan Facility Agreement."

We believe that these elements have contributed to Raízen's strong credit ratings, along with the steady cash generation. It is worth noting that Raízen is today one the very few investment-grade Brazilian companies.

**Our Strategy**

The main components of the strategies of each of our business segments are:

***Fuel Distribution (Raízen Combustíveis)***

- *Continue retail growth through selective dealer conversion*. We plan to continue investing in the conversion of non-branded stations to the Shell brand;

- *Continue to maximize operating efficiencies*. We will continue to focus on improving the efficiency of Raízen Combustíveis' operations in the fuel distribution business by focusing on the following key areas: (1) strategic positioning of infrastructure to optimize supply and logistical efficiency; (2) maximizing the utilization of retail stations to keep the highest throughput per station in the market—we continuously monitor the sales and profitability of each service station in our retail network and eliminate underperforming sites, particularly in regions we consider less strategic; and (3) maximize synergies with our operations in Argentina, with the integration of our trading platform, systems and back-office operations.

- *Convenience Stores – Nós Joint Venture*. Through this new joint venture, Raízen Combustíveis intends to accelerate the development of the Shell Select network growth through franchise and own operations, as well as to implement and expand the business of convenience stores outside gas stations under the "OXXO" brand. We currently have 1,067 convenience stores in Brazil and we have set an internal target to increase this to 5,000 stores (across the Select and OXXO brands) in the coming years. This is a new business opportunity, with the right partner, which we believe has great potential to generate additional value and improve the offer to our customers.

- *Digitalization*. Raízen Combustíveis plans to maximize its assets and relationship with B2B customers and final consumers through increased use of technology, such as Shell Box platform, allowing clients to make digital payments and obtain other advantages and rewards to be used at our Shell network.

***Sugar, Ethanol and Bioenergy (Raízen Energia)***

- *Seek further productivity improvements and cost efficiency*. We are enhancing Raízen Energia's productivity through additional investments in our fields, precision agriculture, more efficient agricultural, industrial and logistics processes, expanded satellite monitoring of sugarcane, emphasis on employee training programs, and improvements in information flows and internal controls systems. These measures are complemented by portfolio optimization initiatives, in order to achieve a proper balance of own and third-party sugarcane and the optimal combination of mills, clustered in logistic hubs, while also exploring opportunities through selective acquisitions and partnerships to capture additional synergies.

- *Continuous development of our commercialization strength*. Today we are one of the major ethanol traders in the world, able to reach customers across the world directly, with a strong presence in the United States, Europe and Asia. We expect to benefit from growth in the global ethanol trade resulting from the gradual lowering of trade barriers that have limited our access to certain major markets, as well as mandatory blending requirements to use ethanol as an additive to gasoline. As the largest Brazilian producer and

exporter of sugar, we have also invested in sugar storage, which gives us the ability to capture better prices by concentrating sales in the off-season. Also as part of our strategy, we endeavor to maximize the value captured from our products by advancing in the sugar cane value chain and reaching the final customer. As an integrated business, we are also in a key position to become a leader in the RenovaBio program. RenovaBio is a Brazilian governmental policy that recognizes the strategic role of all biofuels in the Brazilian energy mix, its contribution to energy security and the mitigation of greenhouse gas emissions in the fuel sector. The program introduces decarbonization credits linked to decarbonization goals.

- *Explore the bioenergy potential of Raízen Energia's mills and further develop our renewable energy business*. Raízen Energia currently has an installed energy generation capacity of approximately 1 GW per year from 26 mills, 13 of which sell surplus energy to the grid and on the spot market. Our bioenergy business creates a stable cash flow stream across commodity cycles, thereby offsetting the volatility of our more cyclical cash flows and operations. We intend to expand our bioenergy surplus by increasing the energy efficiency of our mills, maximizing the recovery of straw from the fields and buying biomass from third parties during the sugarcane offseason.

- *Developing our Renewable Energy Business.* Raízen Energia plans to increase its renewable energy footprint by fostering the use of solar, biogases, E2G and sugarcane pellets (biomass for energy generation) as well as through its circular economy approach, which takes advantage of existing biomass to manufacture ethanol, sugar and energy for our clients using our proprietary technology. Apart from the already-established process to produce bioenergy from burning bagasse, we have also invested in new technologies, including proprietary technologies, to develop alternative uses for sugarcane biomass like E2G that we are running at a commercial scale. This technology, which has the potential to be licensed to other market participants and other countries, increases ethanol generation by approximately 30-50% from what was once considered a byproduct. Another technology being developed is to transform biomass into pellets. We have the only plant in Brazil capable of doing this. Last year we tested our technology and exported sugar-cane pellets to be used in Germany replacing coal. A third development is the production of biogas from vinasse. This is a byproduct that effectively has no value and with a well-known technology it can be transformed in biogas and subsequently into energy. We believe that biomass availability and our proprietary technologies combined with our trading capabilities and access to B2B clients and end consumers put us in a unique position to develop opportunities in the renewable energy businesses and will create a new value stream that should quickly grow with the global energy transition.

***Environmental, social and governance ("ESG") strategy***

*Environmental and social*

We have developed a corporate strategy for sustainable development focused mainly on operating responsibly across our value chain and delivering quality products to customers and society. We highlight the following among our corporate governance practices:

- We are a prominent producer of ethanol and renewable energy, and thereby significantly contribute to the bio-economic and sustainable development goals established by the United Nations. Our surplus bio-electricity exports are important in contributing to the overall green nature of Brazil's energy mix. Highlights of our innovation over the past years include the mechanization of harvesting and the cogeneration of energy from sugarcane bagasse. Both of these enable sugarcane products to achieve substantial greenhouse gas savings compared to competing products.

- Our goal to achieve full operational efficiency has led us to set a voluntary emission reductions target. We are committed to reducing the carbon footprint of our ethanol by increasing productivity as well as by using fuel and agricultural inputs more efficiently. Currently, we disclose in our annual report our annual quantification and reporting of corporate greenhouse gas emissions.

- As part of our ESG strategy, we have achieved certification by Bonsucro's rigorous social and environmental standards, with Raízen accounting for 25% of all certified sugarcane worldwide. We are committed to having all of our mills certified pursuant to Bonsucro standards, which cover several essential ESG aspects, such as land use, greenhouse gas emissions, forced and child labor, biodiversity, surrounding community management and compliance with local laws, among others. Since half of our sugarcane is

purchased from third party suppliers, we have led the creation of an innovative program, *Programa ELO*, in the sugar and ethanol sector to provide technical assistance to suppliers so they can continue improve their processes. *Programa ELO* is a unique program which covers 94% of the feedstock we purchase and which we believe brings sustainable sourcing to a new level in sugarcane sector. We have also changed the way sugarcane byproducts are perceived. We build upon our circular economy model with each crop to ensure better efficiency, while also growing programs focused on reducing consumption and disposal gains. A prominent example is the production of second generation ethanol, in which we believe we are a global leader.

*Governance*

We adopt best practice corporate governance standards, including clear delegation of authority in our bylaws and policies, internal controls including those related to Sarbanes-Oxley, and treasury and trading policies, which determine the risk level that we may incur. Our executives report to the board of directors, which includes three representatives from each of our shareholders. Members of our board of directors are all industry-leading executives at both Shell and Cosan. There are four established committees that provide technical support to the board on critical issues, with members from our management and representatives of both shareholders on each committee. We continually seek to align the various stakeholders within our organization on relevant topics, such as audit, treasury, tax and accounting, social responsibility and compensation.

We have a code of conduct which requires persons within our organization to act ethically, in compliance with applicable law and to abide by fair labor practices (equal opportunities and combating harassment, prejudice and discrimination).

***Sustainability strategy***

Our sustainability strategy is mainly focused on operating responsibly across our value chain, by disseminating awareness along our value chain regarding the importance of managing greenhouse gas emissions. We achieve this by working on three pillars that cover our main raw materials, our process efficiency and our people:

- *Raw materials*. We have two strong sustainability programs for sugarcane. We closely monitor, on an ongoing basis, the social and environmental aspects of agricultural practices and sustainable sourcing.

- *Process efficiency*. We are committed to reducing our carbon footprint, and to developing a more efficient production process to contribute to the fight against climate change. We foster emission reduction through the usage of low emissions feedstocks.

- *People*. We view respect for human rights as a business priority, and strive to provide a respectful work environment. In addition, we joined a program called “Na Mão Certa” in partnership with Childhood NGO in order to protect children against sexual abuse and exploitation on the roads of Brazil. It includes training, strengthening protection networks and influencing public policies.

**Our Operations**

We produce more than 2 billion liters of ethanol per year to supply both domestic and international markets and 4 million tons of sugar, with 1 GW of installed capacity. We plant, harvest and process sugarcane, the main raw material used in the production of sugar and ethanol. We also distribute fuel to 7,306 Shell-branded retail service stations in Brazil and Argentina, with approximately 1,795 convenience stores, 70 distribution terminals and a presence in 69 airports supplying jet fuel. We derive approximately 5.3% of our revenue from and make approximately 10% of our sales in Argentina. Internationally, we have offices in the United States, Switzerland, Singapore and the Philippines.

***Raízen Combustíveis (Fuel Distribution)***

Through Raízen Combustíveis, we are engaged in sourcing, storing, blending and distributing gasoline, ethanol, diesel, fuel oil and aviation fuel through our network of Shell-branded retail service stations in Brazil and Argentina, as well as 70 distribution terminals and 69 airport terminals supplying aviation fuel.

The following are the five main lines of activity in which Raízen Combustíveis is engaged:

- *Retail*: Raízen Combustíveis operates in the retail segment of the fuels distribution market through a network of Shell-branded retail service gas stations, which on March 31, 2020 totaled 7,306 stations throughout Brazil and Argentina. Raízen Combustíveis is a "Shell" brand licensed company, which we believe is recognized as a symbol of quality and technology, including its digital Shell box platform.

- *Business to Business (B2B)*: Raízen Combustíveis operates in the B2B segment with more than 3,000 customers such as cargo and passengers transport companies and companies in the agricultural and mining industries, among others. Our B2B strategy is focused on customer loyalty through premium technology products (Shell V-Power and Shell Evolux portfolios) and carrier fleet control tools.

- *Aviation*: Raízen Combustíveis operates in the aviation sector through its 69 supply bases in Brazilian and Argentine airports, providing services to commercial and business aviation companies. Raízen Combustíveis invests in the improvement of customer services and marketing strategies to differentiate its product offering in the business aviation market.

- *Convenience Stores*: Through our joint venture with FEMCO, announced in 2019, we are engaged in the convenience store business in Brazil.

- *Raízen Argentina*: In 2018, Raízen acquired Raízen Argentina, including a petroleum refinery and a network of 728 petrol stations (as of June 2020) in Argentina (46 of which are owned by Raízen Argentina subsidiaries).

Raízen Combustíveis recorded net operating revenue of fuel of R$100,941.2 million, net income of R$2,100.8 million, and Adjusted EBITDA of R$3,390.9 million in the fiscal year ended March 31, 2020, net operating revenue of R$88,950.6 million, net income of R$1,708.0 million and Adjusted EBITDA of R$3,070.1 million in the fiscal year ended March 31, 2019 and net operating revenue of R$74,586.0 million, net income of R$1,668.2 million and Adjusted EBITDA of R$2,989.3 million in the fiscal year ended March 31, 2018, respectively.

| **Raízen Combustíveis Highlights** | **As of and for the Fiscal Year Ended March 31,** | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Service stations in Brazil | 6,578 | 6,473 | 6,329 |
| Service stations in Argentina | 728 | 678 | — |
| Fuels sold (billion liters) | 33,191 | 29,219 | 25,708 |
| Retail (billion liters) | 22,633 | 20,041 | 18,354 |
| B2B (billion liters) | 7,834 | 6,538 | 5,206 |
| Aviation (billion liters) | 2,724 | 2,639 | 2,148 |
| Ethanol sales (R$ million) | 9,099.5 | 7,875.8 | 5,602.0 |
| Gasoline sales (R$ million) | 36,359.1 | 32,994.3 | 31,797.9 |
| Diesel sales (R$ million) | 45,458.5 | 39,664.6 | 32,756.5 |
| Jet fuel sales (R$ million) | 6,662.2 | 6,406.9 | 3,955.0 |
| Other products (R$ million) | 3,361.8 | 2,009.0 | 474.6 |
| Net operating revenue (R$ million) | 100,941.2 | 88,950.6 | 74,586.0 |
| Net income (R$ million) | 2,100.8 | 1,708.0 | 1,668.2 |
| Adjusted EBITDA (R$ million) | 3,390.9 | 3,070.1 | 2,989.3 |

The table below sets forth a reconciliation of Raízen Combustíveis' net income to its EBITDA and Adjusted EBITDA for the periods indicated.

| **Reconciliation of net income to EBITDA and Adjusted EBITDA** | **As of and for the Fiscal Year Ended March 31,** | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | | **(R$ millions)** | |
| Net income | 2,100.8 | 1,708.0 | 1,668.2 |
| (+) Financial results | 702.6 | 401.4 | 275.2 |
| (+) Income tax and social contribution | 990.6 | 508.3 | 698.1 |
| (+) Depreciation and amortization | 823.7 | 343.8 | 603.8 |
| **EBITDA** | **4,617.7** | **2,961.5** | **3,245.3** |

| Reconciliation of net income to EBITDA and Adjusted EBITDA | As of and for the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| (+) Assets Sales | (1,149.9) | (123.6) | (99.9) |
| (+) IFRS 16 effects | (254.3) | — | — |
| (+) Others | 177.4 | 232.2 | (156.1) |
| **Adjusted EBITDA** | **3,390.9** | **3,070.1** | **2,989.3** |

The evolution of our sales volume has been consistently higher or in line with the remainder of the market. The following table sets forth our sales volumes measured in billions of liters, for Raízen Combustíveis Brazil, and other major and total participants in the Brazilian distribution market (SINDICOM and ANP, respectively) during the periods listed. Our calculation methodology does not include oil fuel.

| | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Raízen | 3.6% | 0.9% | 4.9% |
| SINDICOM (excluding Raízen) | (1.1)% | (0.4)% | (2.2)% |
| ANP (excluding Raízen) | 3.0% | 0.9% | 0.5% |

Currently, Raízen Combustíveis and its competitors purchase all or nearly all Brazilian oil-derivative fuels from Petrobras under a formal supply contract that establishes the volume and the terms for supply. The contract is renewed periodically and the volume contracted for is based on the volume purchased in the previous year. There have been no significant interruptions in the supply of fuels from Petrobras to the distributors. Raízen Combustíveis also imports fuels from the Gulf of Mexico through its trading company to supply its network using its own and third-party port terminals.

Ethanol is sourced from various third-party producers and from Raízen Energia as well. The prices of ethanol supplied are generally determined by the ESALQ index. The prices of oil-derivative fuels supplied to us by Petrobras generally vary according to Petrobras's policy, which tends to follow international oil prices.

All of our fuel distribution operations are in the domestic Brazilian and Argentine markets. Our operations are not subject to significant seasonality; however, the price of hydrous ethanol at the pump is typically more volatile than the prices of gasoline or diesel, as a result of the seasonality of the sugarcane harvest and the limited storage facilities for ethanol in Brazil. This in turn impacts the proportion of our revenue mix that is derived from either gasoline or ethanol throughout the year, as consumers who own flex fuel vehicles switch between the two fuels according to the relative price of each.

As hydrous ethanol is less energy intense than gasoline, consumers will usually switch to ethanol if the price is significantly lower than gasoline. In general, when hydrous ethanol is retailed at 70% of the price of gasoline, the two fuels are considered to be at price parity with each other. At a level below 70%, the demand for ethanol will significantly increase at the expense of gasoline.

Most of the fuel distributed by Raízen in Argentina is produced by its refinery located in the Buenos Aires metropolitan area.

Raízen Combustíveis is the second largest fuel distributor in Brazil and is engaged in sourcing, storing, blending and distributing gasoline, ethanol, diesel and aviation fuel through a network of 6,578 Shell-branded retail service stations (1,067 of which feature integrated convenience stores) throughout Brazil. We had an average throughput per station (in $m^3$/month) in Brazil of 246 in 2017, 241 in 2018, 237 in 2019 and 244 in 2020.

Raízen Combustíveis supplies jet fuel at 69 airports across Brazil and Argentina, including at the major hubs of Congonhas and Guarulhos airports in São Paulo, Brasília International Airport in the Federal District and Ezeiza International Airport in Argentina, to local and foreign airlines.

In addition, as of March 31, 2020, we had 1,067 convenience stores in Brazil (as compared to 998 and 980 as of March 31, 2019 and 2018, respectively). In Argentina as of March 31, 2020, we had 728 convenience stores (as compared to 678 as of March 31, 2019).

***Raízen Energia (Sugar, Ethanol and Bioenergy)***

*Overview*

Raízen Energia is a producer of ethanol, sugar and bioenergy from sugarcane. Sugarcane is the most competitive and viable feedstock because of its low production cost and high energy efficiency ratio relative to other energy sources, such as corn and sugar beet. Raízen Energia accounted for 10% of the crushed sugarcane of the Central-South region of Brazil for the 2019/2020 harvest year, according to UNICA, the largest sugarcane crushing company in Brazil.

Raízen Energia produces bioenergy from sugarcane bagasse and currently has an installed energy generation capacity of 1 GW from its 26 mills mainly located across five clusters in the Central-South region.

The following are the five main lines of activity in which Raízen Energia is engaged:

- *Sugarcane cultivation*: Raízen Energia uses sugarcane cultivated in the states of São Paulo, Mato Grosso do Sul and Goiás. In the fiscal year ended March 31, 2020, there were approximately 860 thousand hectares of cultivated area, with the majority of the land located in the state of São Paulo. Raízen Energia invests in research and technology to maximize land management by increasing sugarcane productivity without increasing the cultivated acreage. In addition, Raízen Energia promotes biological pest control in its cane fields, a practice that makes it possible to reduce the use of chemical pesticides. Raízen Energia also stands out in the field of agricultural mechanization. In the 2019/2020 harvest year, the level of harvest mechanization at Raízen Energia was 99%, an improvement from 98% in the 2018/2019 harvest year. To achieve this result, Raízen Energia invests heavily in equipment and training of rural workers.

- *Ethanol production*: A "green" and environmentally friendly fuel, ethanol is produced from the processing and fermentation of sugarcane. It represents a major competitive advantage for Brazil in energy production and contributes to the maintenance of a cleaner and renewable energy matrix. Raízen Energia is the largest individual producer in Brazil, according to UNICA, with an annual volume of approximately 2.5 billion liters in the fiscal year ended March 31, 2020. In the domestic market, Raízen Energia sells mainly anhydrous and hydrous ethanol fuel through Shell-branded service stations as well as other fuel distributors. Ethanol products are also sold to several industries (chemicals, beverages, and perfumes) and for the production of "green plastic," which is made of biodegradable materials. Raízen Energia exports a significant part of its ethanol production, consisting of alcohol for industrial purposes, neutral alcohol and ethanol fuel. Its main customers are trading companies that distribute the product across the globe.

- *Sugar production*: Raízen Energia is the largest individual exporter of sugar in the international market, with an annual production of approximately 3,791.9 thousand tons of sugar in the fiscal year ended March 31, 2020. In the 2019/2020 harvest year, 67% of the sugar sold by Raízen Energia was exported.

- *Sales and trading*: Sales and trading is a key pillar of value generation, with which we hope to capture maximum value along the supply chain. It includes logistics, quality products, as well as access to end customers. We believe we are a prominent ethanol trader globally, able to reach customers across the world directly, with a strong presence in the United States, Europe, Philippines and Singapore, through Raízen Trading. The company also has been investing to capture additional value in the sugar value chain. We have invested in sugar storage, which gives us the ability to capture better prices by concentrating sales in the off-season. Another strategic driver is our objective of maximizing the value of our products by advancing in the sugar cane value chain and reaching the final consumer without the use of intermediaries.

- *Energy production and trading*: Raízen Energia's 26 production units are self-sufficient in energy consumption and 13 of them have long-term contracts for the sale of surplus power to the Brazilian energy grid. Raízen Energia has an installed potential capacity of approximately 1 GW. Raízen Energia's bioenergy business generates a stable cash flow stream across commodity cycles, which helps offset the volatility of its sugar and ethanol operational cash flows. In 2018 we acquired a power trading company, WX Energy, in order to strengthen our objective to be an integrated energy company, focusing on the opportunities arising to connect consumers and producers in the open portion of the Brazilian energy market. Through WX Energy, we sold 10,541 thousand MWh in the fiscal year ended March 31, 2020 and 6,136 thousand MWh in the fiscal year ended March 31, 2019.

Raízen Energia recorded net operating revenue of R$30,710.5 million, net income of R$273.9 million and Adjusted EBITDA of R$3,437.0 million in the fiscal year ended March 31, 2020, net operating revenue of R$22,405.6 million, net income of R$473.0 million and Adjusted EBITDA of R$2,918.7 million in the fiscal year ended March 31, 2019 and net operating revenue of R$14,752.4 million, net income of R$642.8 million and Adjusted EBITDA of R$4,131.8 million in the fiscal year ended March 31, 2018.

| Raízen Energia Highlights | For the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Crushed sugarcane (million tons) | 59.6 | 59.7 | 61.2 |
| Total recoverable sugar (TSR) | 135.1 | 133.4 | 133.0 |
| Total Production Cost (US$c/lb)(1) | 11.4 | 10.3 | 10.6 |
| Sugar volume sold (thousand tons) | 3,900.5 | 3,692.3 | 4,682.7 |
| Ethanol volume sold (million liters) | 5,324.7 | 4,852.4 | 4,334.8 |
| Energy sold (thousand MWh) | 26,878.0 | 16,692.1 | 3,927.6 |
| Net sugar sales (R$ million) | 4,646.8 | 3,902.1 | 5,435.9 |
| Domestic market | 1,542.3 | 1,299.8 | 1,233.0 |
| External market | 3,104.5 | 2,602.3 | 4,202.9 |
| Net ethanol sales (R$ million) | 11,480.3 | 9,096.3 | 7,443.8 |
| Domestic market | 6,673.3 | 6,354.3 | 5,313.4 |
| External market | 4,806.9 | 2,742.0 | 2,130.4 |
| Net energy bioenergy sales (R$ million) | 3,866.0 | 3,463.5 | 952.2 |
| Other products and services (R$ million) | 10,717.4 | 5,943.7 | 920.5 |
| Raízen Energia net operating revenue (R$ million) | 30,710.5 | 22,405.6 | 14,752.4 |
| Net income (R$ million) | 273.9 | 473.0 | 642.8 |
| Adjusted EBITDA (R$ million) | 3,437.0 | 2,918.7 | 4,131.8 |

(1) Total Production Cost of own sales volumes does not include resale and trading and includes depreciation and amortization, planting and harvesting, agricultural depreciation (machinery and equipment), industrial depreciation and intercrop maintenance. Total production cost does not include biological assets effects, and is partially offset by cogeneration revenues. It considers the average foreign exchange rate for each year.

The table below sets forth a reconciliation of Raízen Energia's net income to its EBITDA and Adjusted EBITDA for the periods indicated.

| Reconciliation of net income to EBITDA and Adjusted EBITDA | As of and for the Fiscal Year Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | (in R$ millions) | | |
| Net income | 274.0 | 473.0 | 642.8 |
| (+) Financial results | 932.6 | 348.3 | 163.1 |
| (+) Income and social contribution taxes | 64.5 | 5.9 | 145.0 |
| (+) Depreciation and amortization | 3,128.2 | 2,108.9 | 2,136.6 |
| **EBITDA** | **4,399.2** | **2,936.1** | **3,087.5** |
| (+) Biological Assets Effect | (12.9) | 261.2 | 367.4 |
| (+) Hedge account effects - Debt | — | — | 90 |
| (+) Sugar Foreign Exchange Effects | — | (36.4) | 640.1 |
| (+) IFRS 16 effects | (949.3) | — | — |
| (+) Others | — | (242.2) | (53.7) |
| **Adjusted EBITDA** | **3,437.0** | **2,918.7** | **4,131.8** |

Our production is based on sugarcane, the most competitive and viable feedstock for sugar and ethanol because of its low production cost and high energy efficiency ratio relative to other energy sources, such as corn and sugar beet. Sugarcane is our principal raw material. It is a tropical grass that grows best in locations with stable warm temperatures and high humidity, although cold and dry winters are an important factor for the sucrose concentration of sugarcane. The climatic conditions of the Central-South region of Brazil are ideal for growing sugarcane.

Raízen Energia's sugarcane production is sourced from leased lands, as well as from third-party suppliers. The following table compares the amount of sugarcane grown on leased land with the amount purchased from third parties during the periods set out below.

| | For the Fiscal Year Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | % | 2019 | % | 2018 | % |
| | (in thousand tons, except percentages) | | | | | |
| Sugarcane harvested from leased land | 28,535 | 47.9 | 29,013 | 48.5 | 29,642 | 48.4 |
| Sugarcane purchased from third-parties | 31,096 | 52.1 | 30,778 | 51.5 | 31,574 | 51.6 |
| **Total** | **59,631** | **100.0** | **59,791** | **100.0** | **61,217** | **100.0** |

In accordance with the land lease contracts, we pay the lessors a certain fixed number of tons of sugarcane per hectare as consideration for the use of the land, and a certain fixed productivity per ton of sugarcane in terms of TSR. The overall volume of TSR is obtained by multiplying the number of hectares leased by the committed tons of sugarcane per hectare by the TSR per ton of sugarcane. The price that we pay for each kilogram of TSR is set by Consecana. The price that we pay to third-party sugarcane growers is based on the total amount of sugar content in the sugarcane, measured by the amount of sugar recovered and on the prices of ethanol and sugar sold by each mill.

Our mills have the capacity to crush 73 million tons of sugarcane per year and in the fiscal year ended March 31, 2020, we crushed 59.6 million tons of sugarcane, or approximately 10% of Brazil's Central-South region total sugarcane production (which was 590 million tons as of March 31, 2020, according to UNICA). For further information on our sugarcane mills see "—Property, Plant and Equipment." The mills that are equipped to produce both sugar and ethanol can typically adjust their proportion of output from anywhere between 56% sugar and 44% ethanol to 47% sugar and 53% ethanol. We track the current and future prices of each product relative to the other, as well as forecasts of global output volumes of each product, to decide on the production mix to be set across our mills in order to maximize our sales revenue. During the 2019/20, 2018/19 and 2017/18 harvests, the sugar mix in the total production was 49%, 48% and 55%, respectively. All of our mills are energy self-sufficient from burning sugarcane bagasse at very high temperatures in boilers, to heating water that is transformed into steam. Thirteen of our mills generate surplus electrical energy that we sell to the Brazilian energy grid.

Raízen Energia is subject to the seasonality of the annual sugarcane harvesting period in the Central-South region of Brazil, which begins in April or May and ends in November or December. This creates fluctuations in our inventory, usually peaking in December to cover sales between crop harvests (*i.e.*, January through March), and a degree of seasonality in our gross profit.

We produce and sell a wide variety of standard sugars, including VHP sugar, crystal sugar and organic sugar, and refined sugars, including granulated refined white sugar, amorphous refined sugar, refined sucrose liquid sugar and refined inverted liquid sugar.

*Standard sugars*. VHP sugar, a raw sugar with approximately 99% sucrose content, is similar to the type of sugar traded in major commodities exchanges, including through the standard NY11 contract. The main difference between VHP sugar and the sugar that is typically traded in the major commodities exchanges is the sugar content of VHP sugar and the price premium that VHP sugar commands in comparison to most sugar traded in the commodities exchanges. We export VHP sugar in bulk, to be refined at its final destination. We also sell a small amount of VHP sugar to the Brazilian market. Crystal sugar is a non-refined sugar produced directly from sugarcane juice and sold to industrial companies in Brazil to be used as an ingredient for food products. We also sell a small amount of crystal sugar to the Brazilian retail market and to export markets. Organic sugar is a kind of raw sugar produced from organic sugarcane and is not submitted to any chemical treatments during its manufacturing process. We sell organic sugar in the international and Brazilian markets.

*Refined sugars*. We refine VHP sugar and crystal sugar into both granulated and amorphous (non-crystallized) sugar. We sell refined sugar in the Brazilian and export retail and industrial markets. Refined sugar is used as an

ingredient in processed food products such as milk and chocolate powders, bakery products, powder refreshments, and pharmaceutical syrups.

*Liquid sugars*. We refine crystal sugar to produce sucrose liquid sugar and inverted liquid sugar, which has a higher percentage of glucose and fructose than sucrose liquid sugar. We sell both types of sugar for industrial use, mainly for the production of soft drinks.

We sell sugar to a wide range of customers in Brazil and in the international markets. Our customers in Brazil include Docelar, which was previously held by Cosan and sold to Camil Alimentos S.A. on October 24, 2012, and food manufacturers, for which we primarily sell refined and liquid sugar. We primarily sell raw sugar in the international markets through international commodities trading firms and Brazilian trading companies. In the fiscal year ended March 31, 2020 we exported 67%, by volume, of the sugar we sold. Rumo S.A., or Rumo, a subsidiary of the Cosan group, handles most of the transportation by rail and logistics of our sugar exports to their sugar loading terminal at the Port of Santos, in the state of São Paulo.

In the fiscal year ended March 31, 2020, our net operating revenue from exports were R$9,822.7, representing 32.0% of our total net operating revenue, while in the fiscal year ended March 31, 2019, our net operating revenue from exports were R$5,488.6 million, representing 24.5% of our total net operating revenue for the period. In the fiscal year ended March 31, 2018, our net operating revenue from exports were R$6,447.7 million, representing 43.7% of our total net operating revenue for the period.

Prices for raw sugar are established in accordance with the NY11 futures contracts. Prices for refined sugar are established in accordance with the London# 5 futures contract, traded on the LIFFE. Prices for sugar we sell in Brazil are set in accordance with Brazilian market prices, using an index calculated by the ESALQ.

We produce and sell three different types of ethanol: hydrous ethanol and anhydrous ethanol for fuel and industrial ethanol. The primary type of ethanol consumed in Brazil is hydrous ethanol, which is used as an alternative to gasoline for flex fuel vehicles (as opposed to anhydrous ethanol which is used as an additive to gasoline). As a result, hydrous ethanol represented 59.7% of our ethanol production in the fiscal year ended March 31, 2020 and 64.7% of our ethanol production in the fiscal year ended March 31, 2019. Our sales are mainly to fuel distributors in Brazil. We also sell industrial alcohol, which is used in the chemical and pharmaceutical sectors. In the fiscal year ended March 31, 2020, we exported 36.2%, by volume, of the ethanol we sold. Our main export customers are trading companies which distribute our products mainly to the United States, Japan and Europe. Our exports are conducted through TEAS, an ethanol loading terminal at the Port of Santos in the state of São Paulo.

*Ethanol Production Process*

We produce ethanol through a chemical process called yeasting, which is a process of fermenting the sugars contained in both sugarcane juice and molasses. Initially, we process the sugarcane used in ethanol production the same way that we process sugarcane for sugar production. The molasses resulting from this process is mixed with clear juice and then with yeast in tanks, and the by-product resulting from the yeasting process, called “yeasted wine,” has an ethanol content of approximately 7% to 9%. After the yeasting process, which takes approximately ten hours, the yeasted wine is centrifuged, so that we can separate the yeast from the liquid. We use the separated yeast in the ethanol production process. We then boil the yeasted wine at different temperatures, which causes the ethanol to separate from other liquids. Hydrous ethanol is produced after different distillation stages. In order to produce anhydrous ethanol, hydrous ethanol undergoes a dehydration process. The liquid remaining after these processes is called vinasse, a by-product we use as fertilizer in our sugarcane fields. After the distillation and dehydration processes, we produce hydrous, anhydrous, neutral and industrial ethanol, and store the ethanol in large tanks.

The ethanol production flow can be summarized as follows:

- *Preparation of the juice*. The fermentation is fed with a juice composed of approximately 20% sugar, which is prepared with juice (from the treatment), molasses (from sugar production) and water. This juice must be cooled to approximately 30°C.

- *Fermentation*. The fermentation of the juice is the result of the action of yeast, which first inverts the sucrose to glucose and fructose (monosaccharide), and then converts the monosaccharide into ethanol and carbon dioxide. This reaction occurs in a fermenter, which is fed with juice and yeast.

- *Centrifuging*. After the fermentation, the resulting product is carried to centrifuges that separate the yeast from the beer, a solution of approximately 9%v/v (oGL) of ethanol.

- *Treatment of the yeast*. The yeast that comes from the centrifuges is treated with sulfuric acid and returned to the fermenter tank to be utilized again.

- *Distillation*. The beer is distilled in a sequence of distillation columns, which separate the water from the ethanol. This process occurs basically due to the differences of ethanol's and water's ebullition temperatures. In order to produce hydrous ethanol, two columns are used to achieve the concentration of 94%v/v (oGL) ethanol. From the first column, a slop called vinasse is obtained, which is used as a fertilizer in the sugarcane fields.

- *Dehydration*. In order to produce anhydrous ethanol, two more columns are used to achieve the concentration of 99%v/v (oGL) ethanol. In the first column, the excess of water is separated with the aid of cycle-hexane.

*Ethanol Production Capacity and Output*

Our current annual ethanol production capacity is approximately 2.5 billion liters. We were the largest producer of ethanol in Brazil in the fiscal year ended March 31, 2020, producing approximately 2.5 billion liters of ethanol, representing 7.5% of the total ethanol production in Brazil's Central-South region, according to UNICA. We are one of the largest exporters of ethanol in the world, with sales of R$4.8 billion outside of Brazil in the fiscal year ended March 31, 2020 (including trading in foreign markets), having exported 1.9 billion liters in the fiscal year ended March 31, 2020 and 2.0 billion liters in the fiscal year ended March 31, 2019.

*Bioenergy*

Raízen Energia currently has an installed energy generation capacity of approximately 1 GW per year from 26 mills, 13 of which sell surplus energy to the grid and on the spot market. Our bioenergy business creates a stable cash flow stream across commodity cycles, thereby offsetting the volatility of our more cyclical cash flows and operations.

| **Energy — Bioenergy Highlights** | **As of and for Fiscal Year Ended March 31,** | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Energy sold (MWh) | 26,878 | 16,692 | 3,928 |
| Net operating revenue (R$ million) | 3,866.0 | 3,463.5 | 952.2 |

Alternative sources of electricity, such as bioenergy from sugarcane bagasse, have become increasingly important within the Brazilian hydro-dependent energy matrix, particularly because the harvest period for sugarcane coincides with generally drier periods for hydraulic energy, when the overall energy supply is, therefore, more constricted. We are self-sufficient for our energy needs. In the fiscal years ended March 31, 2020, 2019 and 2018, we sold 26,878 MWh, 16,692 MWh and 3,928 MWh, respectively, of energy to third parties. Our main customers, besides the energy sold to the Brazilian grid, are utility companies. In the fiscal year ended March 31, 2020, approximately 75% of our excess bioenergy volume was sold through long-term contracts.

## History

### *The Raízen Joint Venture*

The Raízen joint venture was formed on June 1, 2011 by Cosan and Shell. The Raízen joint venture consists of three separate legal entities, collectively referred to as "Raízen":

- *Raízen Energia S.A., or Raízen Energia*: a sugar and ethanol company, which, among other operations, produces sugar and ethanol, and is engaged in bioenergy. Cosan and its subsidiaries and Shell and its affiliates each own 50% common equity interest in this entity. In addition, Cosan and its subsidiaries own 50% plus one share of the voting shares (and preferred shares bearing preferential dividend rights in certain circumstances), whereas Shell and its affiliates own 50% minus one share of Raízen Energia's voting shares.

- *Raízen Combustíveis S.A., or Raízen Combustíveis*: a downstream company, which supplies, distributes and sells fuels in Brazil and, since 2018, also in Argentina. Cosan and its subsidiaries and Shell and its affiliates likewise each own 50% common equity interest in this entity. In this entity, however, Cosan and its subsidiaries own 50% minus one of the voting shares, whereas Shell and its affiliates own 50% plus one share of the voting shares. Cosan and its subsidiaries and Shell and its affiliates also hold preferred shares bearing preferential dividend rights in certain circumstances if certain contingent targets are met.

- *Raízen S.A.*: Raízen S.A., which is a holding company, is the Raízen joint venture's face to the market and facilitates the building of a unified corporate culture. Cosan and its subsidiaries and Shell and its affiliates each use to own 50% of the equity and voting interests in this company. On November 18, 2016, both Cosan and Shell sold 100% of their respective shares in the share capital of Raízen S.A. to Raízen Combustíveis S.A., in a way that Raízen Combustíveis S.A. is currently the sole shareholder of Raízen S.A.

On June 1, 2011, Cosan contributed its sugar and ethanol and its fuel distribution assets to the Raízen joint venture while Shell contributed its fuels distribution assets in Brazil, its interests in second generation ethanol research and development entities (Iogen Corp. and Codexis, Inc.), its aviation fuel business in Brazil, and the license to use the Shell brand. Shell was also required to make a fixed cash contribution to the Raízen joint venture in the amount of R$1.8 billion over a two-year period, of which the full amount had been contributed to the Raízen joint venture as of December 31, 2012.

The below sets forth a brief history of the key events in the development of each of Raízen Energia and Raízen Combustíveis, which together constitute the core of the Raízen joint venture.

***Raízen Energia***

Raízen Energia's history dates back to November 16, 2000, when the company was incorporated under the corporate name of "Danco Participações Ltda." As of the mid-2000s, Raízen Energia began to expand its operations through various acquisitions primarily in Brazil.

On December 10, 2009, Raízen Energia underwent a restructuring process following its acquisition by the Cosan group. On that date, its corporate name was changed to Cosan S.A. Açúcar e Álcool, which was the last name held by the company before the change to Raízen Energia S.A., its current corporate name, on June 1, 2011.

On May 15, 2013, Raízen Energia approved its registration with the CVM under "Category B" in accordance with CVM Instruction No. 480, the submission of an application to the CVM for the purpose, the creation of the position of Director of Investor Relations as well as certain changes to its by-laws.

On January 29, 2014, Cerrado Açúcar e Álcool S.A. was merged into Raízen Energia. Raízen Energia had acquired the entire issued share capital of Cerrado Açúcar e Álcool S.A. on December 17, 2013 from São Martinho S.A.

On February 7, 2014, Cosan subscribed for a capital increase by Raízen Energia in an amount of R$8,426,540.00, through the issuance of 7,818,300 new Class B preferred shares at a price of R$1.07779696 each, with the express consent of Shell, which waived the pre-emption right from which it benefitted.

On June 23, 2014, Cosan subscribed for a capital increase of Cosan Investimentos e Participações S.A., or CIP, and committed to acquiring 2,951,297,817 shares of CIP subscribed by Cosan through the contribution of all 2,951,297,817 ordinary shares in Raízen Energia (while reserving for itself certain rights attaching to the common shares, including voting rights).

At an extraordinary general meeting held on January 21, 2015, Raízen Energia approved the creation of Class D preferred shares and the conversion of 100,000 Class C preferred shares into an equal number of Class D preferred shares, as well as certain amendments to its bylaws.

On March 3, 2015, the board of directors of Raízen Energia approved the sale of all of Raízen Energia's shares in Codexis, Inc.

In April 2015, at an extraordinary shareholders' meeting and meeting of the board of directors of Raízen Energia, the issuance of one Rural Product Note in the approximate amount of R $1,250,000,000 guaranteed by Raízen Combustíveis was approved.

On August 31, 2015, a capital increase by Raízen Energia in the amount of R$1,500,000,000 was approved. This capital increase was effected through the issuance of 1,340,687,564 new common shares, all without par value, at a price of R$1.118828906. This capital increase was fully subscribed for in equal shares by each of Cosan and Shell. As a result of this capital increase, the fully subscribed and paid up capital of Raízen Energia increased to R$6,516,353,969.58, divided into 7,377,289,132 registered shares with no par value, including 7,243,283,198 common shares, 1 Class A preferred share, 133,242,457 Class B preferred shares, 663,476 Class C preferred shares and 100,000 Class D preferred shares.

In October 2016, Raízen Energia and Wilmar International Limited created a new joint venture called Raízen and Wilmar Sugar Pte. Ltd., or RAW, to meet the growing global demand for Brazilian very high polarization, or VHP, sugar. RAW is a 50-50 joint venture between Raízen and Wilmar International Limited, and will combine the strengths of Brazil's largest producer of VHP sugar with the world's leading trader of the commodity. All relevant regulatory approvals for the establishment of the joint venture have been obtained. RAW became operational on April 1, 2017.

On July 11, 2017, Raízen Energia changed its main office from Av. Presidente Juscelino Kubitschek, 1,327, 5th floor, room 1, Vila Nova Conceição, in the city of São Paulo, state of São Paulo, Brazil, to Av. Brigadeiro Faria Lima, 4100, 11$^{th}$ floor part V, Itaim Bibi, in the city of São Paulo, state of São Paulo, Brazil.

On July 31, 2017, the shareholders of Raízen Energia approved, in an ordinary and extraordinary general meeting held on that day, the full redemption of all the 663,476 Preferred Class C Shares of Raízen Energia.

On June 16, 2017, the proposal submitted by Raízen Energia for the acquisition of the Santa Cândida and Paraíso sugarcane crushing plants from Tonon Bioenergia S.A., Tonon Holding S.A. and Tonon Luxembourg S.A., or the Tonon Entities, in the context of the judicial reorganization of the Tonon Entities was approved by the creditors of the Tonon Entities. The total amount of the consideration is R$823 million. The acquisition was approved by the Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica*), or the Brazilian Antitrust Authority, on August 8, 2017. The transaction closed on September 8, 2017. The two mills included are located in the cities of Bocaina and Brotas, in the state of São Paulo, a region where Raízen already operates, and have a combined annual crushing capacity of approximately 5.5 million tons of sugarcane.

On July 5, 2018, Bioenergia Barra Ltda., a wholly-owned subsidiary of Raízen Energia completed the acquisition of WX Energy.

The current capital stock of Raízen Energia is R$6,516,353,969.58, divided into 7,376,625,656 registered shares with no par value, which consists of 7,243,283,198 common shares, 1 Class A preferred share, 133,242,457 Class B preferred shares and 100,000 Class D preferred shares.

***Raízen Combustíveis***

Raízen Combustíveis' history dates back to the early 20$^{th}$ century. The company was incorporated on April 9, 1913, in England. Subsequently, by means of Decree No. 10,168, Raízen Combustíveis was authorized to operate in Brazil under the name "The Anglo Mexican Petroleum Products Company, Limited." On August 4, 1961, Raízen Combustíveis obtained approval to transfer its headquarters to Brazil. On August 11, 1961, Raízen Combustíveis formalized the approval of such transfer, adopting the form of a *sociedade anônima* under the name "Shell Brasil S.A. (Petróleo)." As of the early 1970s, Raízen Combustíveis began to expand its operations within Brazil.

On June 1, 2011, Raízen Combustíveis adopted its current corporate name.

On January 16, 2012, Raízen Combustíveis entered into a shareholders and investment's agreement to constitute a joint venture with Fix Investimentos Ltda. called Raízen Mime Combustíveis S.A., or Raízen Mime, which is engaged in the distribution and sale of fuels in the state of Santa Catarina. Raízen Combustíveis contributed certain assets related to the distribution of fuels into Raízen Mime, and in return acquired a majority interest of 72.3% in Raízen Mime. As of the date of this offering memorandum, Raízen Combustíveis owns 76% of the capital stock of Raízen Mime.

On January 21, 2015, Raízen Combustíveis approved, among other matters, the creation of Class D preferred shares issued by Raízen Combustíveis and the conversion of 100,000 Class C preferred shares in equal number of Class D preferred shares issued by the Raízen Combustíveis, all owned by Shell.

On August 31, 2015, Raízen Combustíveis approved the redemption of 1,641,750,012 common shares issued by Raízen Combustíveis (along with a capital reduction at Raízen Combustíveis) at a price per share of R$0.9136591982, of which 820,875,006 shares were owned by Shell and 820,875,006 shares were owned by Cosan. Following the redemption, Shell Brazil Holdings B.V. held 830,709,236 common shares issued by Raízen Combustíveis and CIP held 830,709,236 common shares issued by Raízen Combustíveis.

On December 30, 2015, Raízen Combustíveis approved the creation of Class E preferred shares and the conversion of 174,038,252 Class C preferred shares into an equal number of Class A preferred shares issued by Raízen Combustíveis, all held by Shell.

On August 23, 2016, Raízen Combustíveis approved, among other matters, the redemption of 80,309,237 Class C preferred shares at a price per share of R$1,39203083326517 issued by Raízen Combustíveis, in the total amount of R$111,792,934.10, all held by Shell.

On January 17, 2017, the shareholders of Raízen Combustíveis approved, at an extraordinary shareholders' meeting held on the same day, the full redemption of all the 93,648,276 Preferred Class B Shares of Raízen Combustíveis.

On July 27, 2017, the shareholders of Raízen Combustíveis approved, at an extraordinary shareholders' meeting held on the same day, the increase in the company's share capital in the total amount of R$78,123,736.41 through the issuance of 49,935,458 new Class C preferred shares at a price per share of R$1.56449423994469.

On July 31, 2017, the shareholders of Raízen Combustíveis approved, in an ordinary and extraordinary general meeting held on that day, among other matters, the partial redemption of 10,708,835 Class E preferred shares of the company in the total value of R$15,890,586.78 and the full redemption of all the 58,372,470 Class C preferred shares of Raízen Combustíveis, in the total value of R$86,617,527.42.

On April 24, 2018, Raízen Combustíveis and its subsidiary Raízen Argentina Holdings S.A.U. entered into an agreement for the acquisition of Raízen Argentina from Shell Overseas Investments B.V. and B.V. Dordtsche Petroleum Maatschappij for the amount of U.S.$916 million, which was subject to post-closing price adjustments, to a total of R$988 million. As of the date of our acquisition of Raízen Argentina, its operations included a petroleum refinery and the distribution of fuel through a network of 665 petrol stations in Argentina (10% of which was owned by Raízen Argentina). The acquisition process was completed on October 1, 2018. We cannot assure you that we will be able to successfully integrate the operations of Raízen Argentina into our business. See also "Risk Factors—Risks Related to Our Business and Industries in which We Operate—We may not be able to successfully integrate the operations of Raízen Argentina and face other risks associated with the acquisition" and "Risk Factors—Risks Related to Our Business and Industries in which We Operate—Raízen Argentina continues to depend substantially on Shell and other third parties for the products it sells and for certain intellectual property it use."

On August 6, 2019, Raízen Combustíveis and its subsidiary Raízen Convenências S.A., or Raízen Conveniências, entered into a Share Purchase and Investment Agreement with FEMCO, which establishes the terms and conditions for the acquisition of ownership at Raízen Convenências by Femsa Comercio, as well as the formation of a joint venture in Brazil. Upon the closing of this transaction, Femsa Comercio became the holder of 50% of Raízen Convenências' shares through the subscription of new shares and the purchase of existing shares previously held by Raízen Combustíveis in the company's capital. The enterprise value attributed to the Raízen Convenências was R$1,122,000, which was based on the assumption of acquisition of ownership interest in a company free of any debt or cash. Following the implementation of this acquisition, Raízen Combustíveis and Femsa Comercio are currently shareholders of Raízen Convenências in the proportion of 50/50 of the capital. The joint venture will have its own professional and corporate governance structure. The purpose of this transaction was to expand the "Shell Select" brand convenience store franchise business and to develop the business of convenience stores outside gas stations under the "OXXO" brand, whose partnership represents an important step for the expansion in the convenience store market in Brazil, ensuring even more efficiency for the Raízen Group's investments in its operations, besides offering a better value proposition to franchisees. On November 1, 2019,

Raízen Combustíveis and Femsa Comercio obtained all required approval to conclude this transaction and constitute the joint venture.

On September 5, 2019, the shareholders of Raízen Combustíveis approved, in an extraordinary shareholders' meeting held on the same day, the remuneration to Shell through redemptions of class E preferred shares in the amount of R$129.4 million. As a consequence of these redemptions, 81,432,360 class E preferred shares were canceled.

The current capital stock of Raízen Combustíveis is R$1,921,843,458.17, divided into 1,824,847,890 registered shares with no par value, which consists of 1,661,418,472 common shares, 1 Class A preferred share, 100,000 Class D preferred shares and 81,897,057 Class E preferred shares.

***2020 Cybersecurity Incident***

During March 2020, Raízen was subject to a ransomware cyberattack, which caused a partial and temporary interruption of our operations. The affected entities within our group implemented their contingency plans, continued operating partially during the cyberattack, and progressively reconnected their operating systems following the attack.

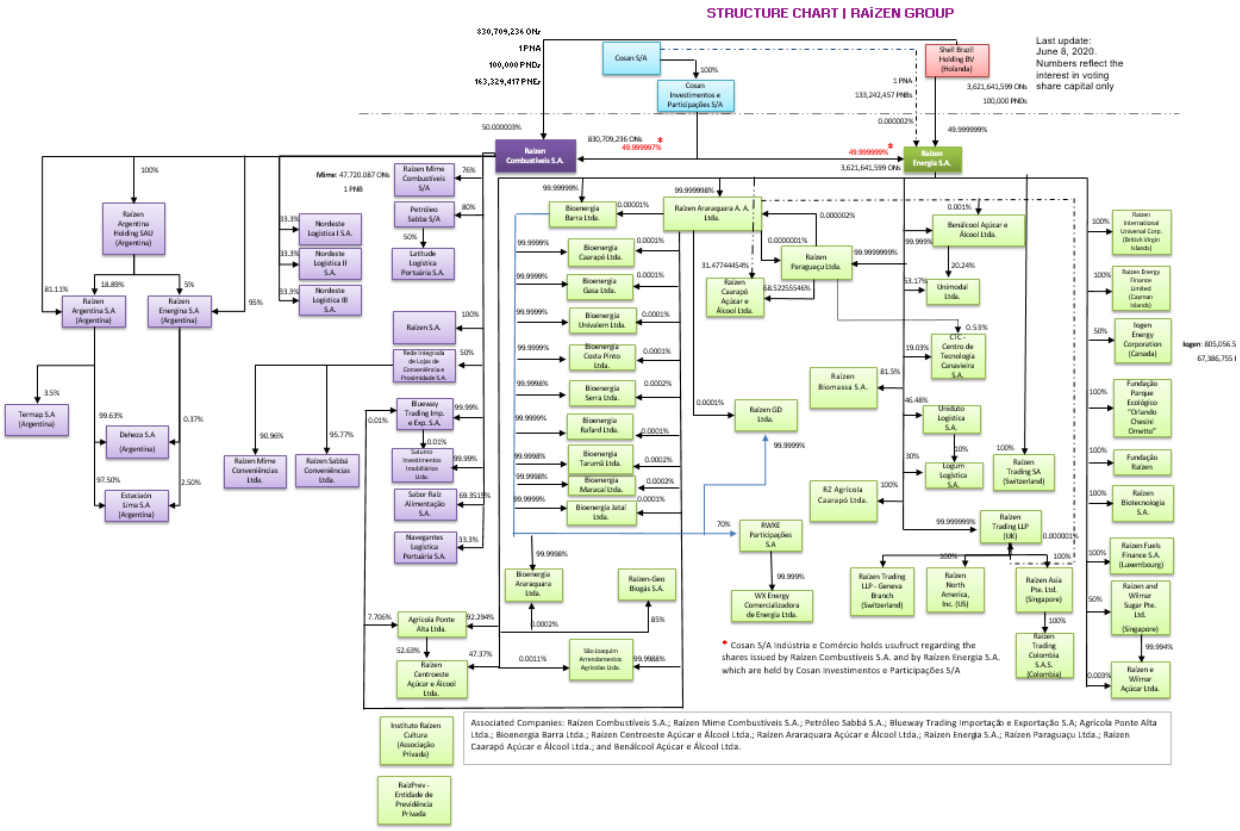
Following the incident, we have taken certain additional preventative measures intended to reduce cyber risks, including engaging a company to carry out a forensic analysis of the cyberattack we suffered, which affected the data center located at our shared services center as well as user desktops and laptops connected to our network. Based on the experience and tools of the company we engaged, interviews with our information technology personnel and available technical evidence, we identified a number of servers to be examined in more detail. Although the entrance vector of the cyberattack could not be identified, the process and characteristics of the cyberattack could be satisfactorily identified. We believe this will assist us in reviewing our information technology systems to prevent further cyberattacks.

See also "Risk Factors—Risks Related to Our Business and Industries in which We Operate—We were the target of a cybersecurity incident which disrupted our systems."

**Corporate Structure**

We are a Brazilian market leader in fuel distribution, sugar and ethanol production. Our main operations include: (1) the distribution of fuels in the Brazilian and Argentine markets through Raízen Combustíveis; and (2) the production and sale of sugar and ethanol and the bioenergy of electricity from sugarcane bagasse through Raízen Energia.

Set forth below is our corporate structure chart as of the date of this offering memorandum.




A list of our subsidiaries is included in note 2.3 to our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2020.

**Regulation**

***Raízen Combustíveis (Fuel Distribution)***

ANP is the federal agency responsible for the control, supervision and implementation of the government's oil, gas and biofuel regulations. The ANP regulates all aspects of the production, distribution and sale of oil, natural gas, and biofuels products in Brazil. With respect to regulation relating to gasoline, diesel oil and biofuels, the ANP determines the product quality standards and minimum storage capacities required to be maintained by distributors.

*Environmental health and safety standards*. Fuel distributors are subject to Brazilian federal, state and municipal laws and regulations relating to environmental protection, safety and occupational health and safety, licensing by fire departments, environment and transport authorities. The National Environmental Council (*Conselho Nacional do Meio Ambiente*), or CONAMA, is the main government body responsible for issuing environmental standards and regulations at the federal level. Environmental state agencies and municipal departments are also responsible for establishing and supervising complementary laws and regulations within their areas of operation.

Fuel distributors must obtain authorizations and/or licenses from federal, state and/or municipal environmental agencies and fire departments to implement and operate their facilities. They are required to develop programs to control air, soil and water pollution, including management of hazardous waste.

*Port Regulation.*

The Brazilian port sector is regulated by (1) the National Waterway Transportation Agency (*Agência Nacional de Transportes Aquaviários*), or ANTAQ, which is linked to the Brazilian government's Ministry of Infrastructure (*Ministério da Infraestrutura*), (2) National Secretariat of Ports (*Secretaria Nacional de Portos*), or SNP, which is linked to the Ministry of Infrastructure, and (3) by local port authorities (*Companhias Docas*). Since 2012, the Brazilian port sector has undergone a number of regulatory changes, including as a result the enactment of Federal Law No. 12,815/2013 (regulated by Decree No. 8,033/2013). The new regulatory framework reaffirmed the port infrastructure exploitation model, in which two regimes predominate: (i) the public regime for lease and concession contracts, within the scope of public organized ports (*portos organizados*); and (ii) the regulated private regime established for private use terminals ("TUPs").

Regarding the TUPs, one of the most important changes brought about by Federal Law No. 12,815/2013 is the abolition of the distinction between "own cargo" and "third-party cargo" for the development and operation of these terminals. Authorizations to operate TUPs are granted by means of authorizations preceded by public selection procedure: (i) public callings (*chamadas públicas*) or (ii) public announcement (*anúncio público*), pursuant to the applicable regulation.

Regarding the lease and concession contracts, Federal Law No. 12,815/2013 established new provisions for public contracts for exploitation of terminals in public organized ports. Port concessions or lease contracts, valid for up to 25 years extendable for up to additional 25 years, are granted to companies selected by an open public bidding procedure. The selection criteria is the highest bid amount offered, pursuant to the applicable regulation. Bidding procedures are carried out by ANTAQ.

Both lessees and authorized operators under TUP terminals must follow the guidelines below:

- ensure the expansion, modernization and optimization of the infrastructure in and around public ports and port facilities;
- ensure best prices and rates in the industry, the quality of the activity provided and the effectiveness of users' rights;
- stimulate the modernization and improvement of the management of ports and port facilities, including the development and training of port workforces;
- ensure navigation safety upon the entrance and exit of vessels from ports; and
- stimulate competition, through incentives for private sector participation, ensuring broad access to organized ports, port facilities and activities.

***Raízen Energia (Sugar, Ethanol and Bioenergy)***

Raízen Energia is subject to several Brazilian federal, state and municipal environmental protection and health and safety laws and regulations governing, among other things, the generation, storage, handling, use, transportation and discharge of hazardous materials into the ground, air and water as well as regulation concerning electricity generation. Below is a summary of the principal rules and regulations to which Raízen Energia is subject.

*Permits*. Certain environmental laws require us to obtain from governmental authorities permits, licenses and authorizations to install and operate our mills, to burn sugarcane and to perform other activities.

We are subject to the regulations of the pollution control and remediation agencies of several Brazilian states, such as:

- Environmental Company of the state of São Paulo (*Companhia Ambiental do Estado de São Paulo*—CETESB);
- Environmental Agency of the state of Goiás (*Secretaria de Estado de Meio Ambiente e Desenvolvimento Sustentável*—Semad); and

- Environmental Institute of the state of Mato Grosso do Sul (*Instituto de Meio Ambiente do Mato Grosso do Sul*—IMASUL).

*Environmental Licensing of Raízen*. We operate mills, transport facilities and numerous warehouses. CONAMA is the National Environmental Council responsible for issuing rules and resolutions on environmental licensing at a national level. Environmental licensing is required for the development of new facilities and for alterations in existing operations that may cause significant environmental impact and must be periodically renewed.

*Sugarcane Burning*. The state of São Paulo and certain municipal governments have established laws and regulations that limit or eliminate the burning of sugarcane entirely. We have voluntarily signed the Agro-Environmental Sugarcane Protocol, which establishes accelerated deadlines for the reduction of sugarcane burning.

*Brazilian Forestry Code*. We are subject to the Brazilian Forest Code, which prohibits land use in certain permanent protected areas, and obligates us to maintain and register a forest reserve in each of our rural landholdings covering from 20% to 80% of the total area of such land, known as "Legal Reserve."

*Environmental Liabilities*. We are involved in certain administrative and judicial proceedings for alleged failure to comply with environmental laws and regulations (especially relating to environmental damages caused by sugarcane burning and contaminated areas). The Brazilian Federal Constitution provides for three different types of environmental liabilities: (1) civil, (2) administrative and (3) criminal. Non-compliance with environmental law is subject to administrative, civil and/or criminal sanctions, regardless of the civil impacts such as the obligation to repair, compensate or indemnify any damages caused to the environment or third parties. Public attorneys' offices, foundations, state agencies, state-owned companies and environmental protection associations are all authorized by law to file public civil actions seeking indemnification and/or reparation of environmental damages.

Federal Law No. 6,938/81 establishes strict liability for the recovery of environmental damages or, if not possible, compensation or indemnity for such damages, with joint and several liability established among all those who directly or indirectly contributed to environmental degradation, regardless of the degree of participation in the damage. Each of those involved may be held liable for the full amount of the damages. In other words, the environmental civil liability regime is based on strict liability, which means that one may be held liable irrespective of negligence, intention or fault. The only element that must be identified to impute liability is the causal link (or chain of causation) between the damage that has been caused and the acts (or omissions) that have occurred. Therefore, upon a suspicion that environmental damage has occurred, the acts that contributed to the occurrence thereof must be examined.

According to a recent thesis approved by the Brazilian Supreme Court, there is no statute of limitations for claims seeking compensation for environmental damages.

At the administrative level, environmental liability may be assigned by means of administrative sanctions that may include, among others: (1) fines of up to R$50 million, adapted to the economic capacity and track record of the offender, in addition to the severity of the facts and past performance; (2) demolition, suspension or interdiction of the activities; and (3) withdrawal of tax incentives and benefits.

Federal Decree No. 6,514/2008 sets forth the infractions and administrative sanctions regarding environmental matters and the federal administrative procedure to investigate these infractions. Administrative sanctions include: (1) warnings; (2) simple fines; (3) daily fines; (4) seizure of the animals, products and sub-products of fauna and flora; (5) product destruction; (6) product sales and manufacturing suspension; (7) closure of the plant or construction; (8) construction demolition; (9) full or partial suspension of the activities; and (10) restriction of rights.

Criminal liability may arise depending on whether there was willful misconduct or gross negligence in the unlawful conduct of the agent. Pursuant to Brazilian law, both natural and legal persons can be subject to criminal liability. When liability accrues to legal persons, the individuals responsible for the decision that resulted in the criminal conduct (such as directors, officers, administrators, board members, members of technical committees, auditors, managers, agents or representatives) may also be penalized to the extent of their culpability. Criminal sanctions encompass imprisonment in the case of individuals, that may be replaced with right-restrictive penalties such as community service and/or fines. The criminal sanctions include fines, community services or dissolution, fines or certain restrictions of rights in the case of legal persons. Subject to the consent of the applicable environmental authority, fines may be replaced by an undertaking to take specific steps to redress the environmental

damage. Enforcement of fines may be suspended upon a remediation of damages and settlement with environmental authorities.

*Sugar Regulation:* The Ministry of Agriculture, Livestock and Food Supply, or MAPA, is responsible for planning, coordinating, monitoring and assessing the implementation of governmental initiatives and programs related to the production of sugarcane and ethanol. All sugarcane processing mills must be dully registered with SAPCana (*Sistema de Acompanhamento de Produção Canavieira*), which is a system created and maintained by MAPA that register all sugar and ethanol producing mills and ethanol trading companies and monitors the production of sugarcane, sugar and ethanol in Brazil. All registered mills must regularly submit (online) reports about the production, output and stock of sugar and ethanol, in accordance with Normative Instruction No. 52, of 12 November 2009 (the regulation that created SAPCana). The noncompliance with the rules established under the aforementioned Normative Instruction may subject the company to suspension or cancellation of the registration in SAPCana until irregularities are solved.

*Ethanol Regulation*: The Brazilian ethanol industry is also regulated by ANP which is a federal agency linked to MME. On April 29, 2011, a provisional measure was published in Brazil's Official Gazette, or the Provisional Measure No. 532/11, and changed ethanol status from an agricultural product to a fuel. While previously ANP was only responsible for the oversight of the distribution and sale of ethanol, since the publication of Provisional Measure No. 532/11, which was converted in law on September 16, 2011, the Law No. 12,490/11, the agency became responsible for the supervision of mills that produce sugarcane-based biofuel. In accordance with Law No. 12,490/12, and in order to regulate the ethanol industry, ANP published Resolution No. 734 of June 28, 2018, pursuant to which the production of ethanol which involves construction, capacity expansion, modification and operation of ethanol production plant, is subjected to prior authorization of ANP.

The performance of an activity without the proper authorization or with an expired authorization issued by ANP may subject the company to the following penalties, among others: (1) fine (from R$50,000 to R$200,000); (2) prohibition to perform such activity while the company is not regular; (3) temporary suspension of all or part of the site or operation of the facility; or (4) annulment of the company's registration, pursuant to Law No. 9,847/99, of October 26, 1999. These penalties may be applied cumulatively.

*Electricity Regulation*. The Brazilian power industry is regulated by ANEEL, a federal regulatory agency, in accordance with the general guidelines set forth by the Ministry of Mines and Energy. In order to perform power generation activities, the power agent must obtain authorizations granted by ANEEL or execute concession and permission agreements with the Brazilian government through ANEEL. The activities related to generation, sales and trading of electricity performed by Raízen Energia are subject to ANEEL's supervision. Pursuant to Law No. 9,427 dated December 26, 1996 and ANEEL's Resolution No. 63/2004, within the scope of its powers of inspection of electrical energy plants and services, ANEEL may impose penalties (including warnings, fines, temporary suspension of the right to participate in bidding procedures for new concessions, licenses or authorizations and forfeiture) on power industry participants based on the nature of its relation with the agency (concessionaires or agents who hold permission or authorization) and the materiality of the infraction. In case of fines, the limit of 2.0% of the revenue of the concessionaire in the 12-month period preceding any assessment notice must be respected or, for independent producers or self-producers (authorized agents), 2.0% of the estimated amount of energy produced in the same period. In addition, pursuant to ANEEL's Resolution No. 63/2004 some infractions may result in fines related to the failure of the agent in requesting ANEEL's prior approval to certain conduct, including the following:

- entering into certain related party transactions, pursuant to ANEEL's Resolution No. 699/2016;
- sale or assignment of the assets related to services rendered as well as the imposition of any encumbrance (including any security, bond, guarantee, pledge and mortgage) on them or any other assets related to the concession or permission, or the revenues of the electricity services;
- changes in corporate control of the holder of the authorization, permission or concession, as per terms of ANEEL's Resolution No. 484/2012; and
- as applicable, submit to ANEEL projects of electric works and plants and their modifications, as well as proceed with its execution in disagreement with the project approved and with the established scheduled.

With regards to the authorizations granted by ANEEL, there is no guarantee that they will be renewed, nor can we predict how the terms of any renewed authorizations may differ from the terms of authorizations currently in force. In addition, authorizations may be terminated prior to their stated termination date, among others, in the following situations:

- in the event that energy is generated in conditions which are contrary to either the authorization or to the applicable regulatory provisions;
- if there is noncompliance with the obligations and schedules provided under the authorization;
- in the event of transfer of the generation activities, assets and facilities to third parties without the prior and express consent of ANEEL;
- by request of the power agent; or
- in the event that the power plant is deactivated.

In the event that the fuel suppliers of the power generators are either unable or unavailable to comply with their respective contractual obligations, in whole or in part, the power generator may be subjected to any of the following: (1) default of its regulatory duties; (2) temporary reduction of the available amounts of energy generated or capacity to generate energy; and (3) difficulty in maintaining assets or projects. Furthermore, in case of lack of fuel by the power generator, it may be subject to fine, pursuant to ANEEL Resolution No. 583/2013.

Brazil has historically suffered from an energy supply crisis, due to its heavy dependence on hydroelectric energy and its prolonged periods of poor rainfalls. Poor rainfall scenarios may, at first, contribute to the expansion of thermal power production, with positive impacts for thermal power plants. However, under scenarios that are more adverse, the Brazilian federal government may impose energy rationing, thereby leading to a reduction in consumption by all consumers, which would have an adverse effect on the revenues of power plants.

*Controlled substances.* Certain laws and regulations require us to obtain from governmental authorities permits, licenses and certificates to use controlled substances in our activities. Decree No. 10,030, dated September 30, 2019, regulates the Brazilian Army control over explosive substances and establishes that those who manufacture, store or sell such substances are required to obtain a registration certificate, which must be periodically renewed. Law No. 10,357, dated December 27, 2001, sets forth that those who manufacture, store, handle, use and distribute chemical substances that could be employed in the manufacture of narcotics or psychotropic substances are subject to control by the Federal Police Department and shall obtain the required certificates, which must be periodically renewed. In parallel, state legislation empowers each state's respective Civil Police to grant licenses for use, storage, marketing, importation and exportation of certain chemical products, usually consisting of an inspection certificate and an operating license. The sanctions that can be imposed in case of noncompliance with the applicable regulations concerning controlled substances include warnings, fines, pre-interdiction fines, interdiction, apprehension of products, suspension, cancellation or forfeiture of the corresponding certificates and licenses.

*Sanitation Regulation.* The food industry is subject to the rules set by Decree No. 986, dated October 21, 1969, and is regulated by the National Agency of Health Surveillance (*Agência Nacional de Vigilância Sanitária*), or ANVISA, an independent federal regulatory agency, in accordance with the general guidelines set forth by the Ministry of Health, and by the Ministry of Agriculture, Livestock and Supply (*Ministério da Agricultura, Pecuária e Abastecimento*), or MAPA. The requirements for classification, identity, quality and labeling applicable to sugars for human consumption are established by MAPA's Normative Instruction No. 45, dated August 30, 2018, and ANVISA's Resolution No. 271, dated September 22, 2005. Activities related to the production and selling of standard sugars for human consumption are subject to local sanitary authorities' licensing. Law No. 6,437 dated August 20, 1977, as amended, governs the imposition of sanctions against participants in the food sector, which includes warnings, fines up to R$1,500,000 (which may be doubled in case of repeated penalties), prohibition against production and/or sales, interdiction of the facilities, revocation of the sanitary permit for the facilities, seizure and/or destruction of products.

***Regulation Applicable to Raízen Argentina***

*Overview*

The Argentine oil and gas industry in Argentina is regulated by Law No. 17,319, which was enacted in 1967 and as amended by Law No. 26,197 enacted in 2007 and Law No. 27,007 enacted in 2014, establishes the general legal framework for the exploration, exploitation, industrialization, transportation and marketing of hydrocarbons in Argentina.

Hydrocarbon resources are severable from the general ownership of property. According to the Argentine Constitution, as amended in 1994, natural resources, including hydrocarbon reserves, belong to the provinces in which they are located. However, the Argentine Constitution empowers the Argentine National Congress to legislate on hydrocarbon matters.

Transfer of ownership of hydrocarbon reserves and resources from the federal domain to the provinces was implemented through the enactment of the several legal provisions that effectively amended Law No. 17,319, including by means of Law No. 26,197. The reserves and resources transferred pursuant to Law No. 26,197 were those located in the provinces and in territorial waters up to 12 nautical miles from a baseline, which in Argentina is the mean low-water line along the coast. In addition, with Law No. 26,197 the enforcement of the exploration permits and production and transportation concessions granted by the Argentine federal government over the hydrocarbon reserves and resources prior to the law was transferred to the provinces.

The Secretariat of Energy of the Ministry of Productive Development, or SE, is the federal enforcement agency responsible for the control, supervision and implementation of the Argentine government's oil, gas and biofuel regulations. The SE regulates all aspects of the production, distribution and sale of oil, natural gas, and biofuels products in Argentina. With respect to regulation relating to gasoline, diesel oil and biofuels, the SE determines the product quality standards and storage requirements.

Hydrocarbon-refining activities are subject to Argentine Law No. 13,660 of 1949, which provides the basic regulatory framework for these activities, whether conducted by oil producers or third parties.

Refining activities are also subject to registration requirements established by the SE. In addition to federal rules, refining activities must comply with provincial and municipal regulations on technical and safety standards. Decree No. 1,212/1989 established a Price Policy Deregulation of Refineries and Gas Station. Moreover, the locations where liquid fuels are sold are subject to registration requirements established by Resolution No. 1102/2004 of the National Energy Department.

The domestic prices of crude oil are currently subject to Decree No. 488/2020, which establishes a reference price for crude oil deliveries in the local market and regulates other aspects of the hydrocarbon industry in the context of the public emergency and the international crisis derived from COVID-19. The export of crude oil, natural gas and their derivatives is subject to prior governmental approval. The import of crude oil and liquid fuels also requires prior governmental approval. Argentine Law No. 26,050 establishes the legal framework for the industrialization and commercialization of liquid petroleum gas.

*Port regulation*

The Argentinean port sector is regulated by Law No. 24.093 and Decree No. 769/1993. This legal framework regulates all matters related to the authorization, administration and operation of existing and to be created State-owned and private ports in Argentina. The regulation classifies ports according to their ownership into national, provincial, municipal and privately owned based on and according to their purpose into commercial, industrial and recreational. It also establishes the conditions and requirements needed for the authorization of ports. The Argentine port regulation also stipulates that private individuals may build, administer and operate public or private ports for commercial, industrial or recreational purposes, on public land or on their own property and requires that the fees, prices and other consideration paid by users to be strictly proportional to the service provided.

*Environmental health and safety standards*

The provinces have the power to legislate and regulate environmental matters. Provincial environmental regulations must set standards equal to or higher than those approved by the Argentine National Congress. Most of the hydrocarbon-producing provinces have issued specific environmental regulations for the oil industry, including on unconventional operations.

*Legislation applicable to fuel distributors*

Fuel distributors are subject to Argentine federal, state and municipal laws and regulations relating to environmental protection, safety and occupational health and safety, environment and transport authorities. The Argentine Minister of Environmental and Sustainable Development is the main government agency responsible for issuing environmental standards and regulations at the federal level. Law No. 25,675 sets out minimum standards for the adequate and sustainable management of the environment, the preservation and protection of biodiversity and the implementation of sustainable development.

Fuel distributors must obtain authorizations and/or licenses from federal, state and/or municipal environmental agencies and operate their facilities. They are required to develop programs to control air, soil and water pollution, including management of hazardous waste in accordance with Law No. 24,051, which provides the regulatory framework regarding the generation, handling, transportation and treatment of hazardous waste.

**Competition**

***Fuel Distribution***

In the fuel distribution business, we are subject to competition, both from companies in the industries in which we operate and from companies in other industries that produce similar products. Our competitors include service stations of large integrated oil companies, independent gasoline service stations, convenience stores, fast food stores, and other similar retail outlets, some of which are well-recognized national or regional retail systems.

According to SINDICOM, the three largest distributors in Brazil are: Petrobras, operating through the BR Distribuidora brand, Ultrapar S.A., through the Ipiranga brand, and Raízen, through Shell-branded petrol stations. The main competitive factors affecting the retail marketing operations include site location, product price, selection and quality, site appearance and cleanliness, hours of operation, store safety, customer loyalty and brand recognition.

In Argentina, we face competition from a variety of other fuel distributors, including YPF, Axion and Puma, among others.

We also face competition from international ethanol producers that use other ethanol sources, such as corn and sugar beet for the generation of fuel ethanol.

***Sugar, Ethanol and Bioenergy***

The sugar industry in Brazil has experienced increased consolidation through merger and acquisition activity during the past decade. Most of this activity has involved companies and facilities located in the Central-South region of Brazil, one of the most productive sugar producing regions in the world. Despite this recent wave of

consolidation, the industry remains highly fragmented with more than 365 sugar mills and 135 company groups participating, according to MAPA.

We also face competition from international sugar producers. According to F.O.LICHTS International Sugar & Sweetener Report, we are the largest sugar producer in Brazil and one of the largest sugar producers in the world with 4.2 million tons of sugar produced in the 2018/2019 harvest, compared to Südzucker AG of Germany (4.7 million tons of sugar produced in the 2018/2019 harvest, which ended in September 2019) and Tereos (4.3 million tons of sugar produced in the year ended September 2019).

**Research and Development**

Our main research and development activities are currently concentrated in the following key areas:

- Sugarcane genetic improvement program specifically tailored to Raízen Energia's mills. The main goal is to decrease the amount of time required for seedling production and grants us access to new, improved sugarcane varieties through their genetic improvement program, also conducts field trials and region-specific genetic selection programs to develop sugarcane varieties for our greenfield projects for the construction of new sugarcane mills.

- Raízen also invests in innovation in the ethanol manufacturing process. Raízen has sales and trading rights of Iogen Energy, which conducts research into advanced fuels, including ethanol extracted from the cellulose of sugarcane and other plants.

**Seasonality**

Our sugar production depends on the volume and sucrose content of the sugarcane that we cultivate or that is supplied to us by growers located in the vicinity of our mills. Crop yields and sucrose content depend primarily on weather conditions such as rainfall and temperature, which vary and may be influenced by global climate change. Weather conditions have historically caused volatility in the ethanol and sugar industries and, consequently, in our results of operations by causing crop failures or reduced harvests. Flood or drought, which may be influenced by global climate change, can adversely affect the supply and pricing of the agricultural commodities that we sell and use in our business. During the third and fourth quarter of 2014, a severe drought affected the areas in which we operate.

Future weather patterns may reduce the amount of sugar or sugarcane that we can recover in a given harvest or its sucrose content. In addition, our business, particularly the business of Raízen Energia, is subject to seasonal trends based on the sugarcane growing and harvesting cycle in the Central-South region of Brazil. The annual sugarcane harvesting period in the Central-South region of Brazil begins in April/May and ends in November/December. This creates fluctuations in our inventory, usually peaking in December to cover sales between crop harvests (i.e., December through April), and a degree of seasonality in our gross profit, with ethanol and sugar sales significantly lower in the quarter ended on December 31.

**Property, Plant and Equipment**

For more information related to property, plant and equipment see note 14 to our audited combined consolidated financial statements as of and for the fiscal year ended March 31, 2020 and note 14 to our combined consolidated financial statements for the fiscal year ended March 31, 2019 included elsewhere in this offering memorandum.

We present a summary below of our material property, plant and equipment and intangible assets, by segment:

***Raízen Combustíveis***

Raízen Combustíveis distributes fuels through 70 distribution terminals to 7,306 Shell-branded retail service stations in Brazil and Argentina and also has 69 airport terminals supplying aviation fuel.

***Raízen Energia***

Raízen Energia operates 26 ethanol, sugar and energy bioenergy mills with a crushing capacity of 73 million tons per year and 1 GW of annual generation capacity. All of these facilities are located in the central and southeastern regions of Brazil, including 24 in the state of São Paulo, which is one of the world's most productive sugarcane regions, primarily because of its favorable soil, topography and climate, nearby research and development organizations and logistics infrastructure.

**Capital Expenditures**

For an overview of our historical capital expenditures, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Capital Expenditures."

**Employees and Union Relations**

As of March 31, 2020, we had 31,158 employees. The following table sets forth the number of our total employees by segment for the dates indicated:

| | As of March 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Production / Administration / Operations | 27,879 | 28,218 | 28,642 |
| Supervisory | 910 | 861 | 854 |
| Management | 296 | 292 | 291 |
| Executive officers | 53 | 41 | 43 |
| **Total** | 31,158 | 31,431 | 31,848 |

We believe we have good relations with our employees and the unions that represent them, and we have not experienced a strike or other labor slowdown since Raízen Joint Venture's formation in 2011. Collective bargaining agreements to which we are party have either one-year or two-year terms, are subject to annual renewal and are subject to changes in Brazilian law. We apply the terms of bargaining agreements entered into with the unions equally to unionized and non-unionized employees.

Our total annual payroll was R$2,189.4 million for the fiscal year ended March 31, 2020, which included a provision for vacations, and bonuses, taxes and social contributions.

**Legal and Administrative Proceedings**

***Overview***

In the ordinary course of our business, we and our subsidiaries are parties to numerous judicial and administrative proceedings of a tax, civil, regulatory, environmental, criminal and labor nature, including proceedings with probable, possible and remote risks of loss.

Pursuant to the framework agreement which was entered into during the formation of the Raízen joint venture, we have agreed that we will reimburse our shareholders or will be reimbursed by them, as applicable, for any amounts received or paid in connection with legal proceedings, provided that the triggering events for such payments or receipts occurred before the formation of the Raízen joint venture on April 1, 2011 and provided that any such sums have actually been paid or received. See "Business—History—The Raízen Joint Venture."

As of March 31, 2020, we and our subsidiaries were party to proceedings with a probable risk of loss involving an aggregate amount of R$1,558.9 million for which provisions have been made (including claims in the aggregate amount of R$1,130.5 million subject to reimbursement by shareholders and non-reimbursable claims in the aggregate amount of R$428.4 million). We were also party to proceedings for which our risk of loss was deemed possible, which involves an aggregate amount of R$18,177.1 million and for which no provision has been made (of which R$8,619.4 million relates to non-reimbursable amounts and R$9,557.7 million is subject to reimbursement).

We constitute provisions for tax, civil, environmental and labor contingencies in which our risk of loss is considered probable in accordance with IFRS. Determination of the likelihood of loss includes determination of available evidence, hierarchy of laws, jurisprudence available, more recent court decisions and relevance thereof in

the legal system, as well as an evaluation by internal and external attorneys. Such provisions are reviewed and adjusted to take into account changes in circumstances, such as statute of limitations applicable, tax inspection conclusions or additional exposures identified based on new matters or court decisions.

***Civil claims***

As of March 31, 2020, we and our subsidiaries were parties to several civil proceedings which are related to, among other things, (1) compensation for material and moral damages; (2) contractual disputes; (3) public civil actions relating to sugarcane burning; (4) environmental matters; (5) reparation of environmental damage resulting from fuel leakages; and (6) certain contractual, real estate and credit recovery matters relating to alleged breaches of contract, actions for possession and the recovery of amounts not duly paid by customers.

As of March 31, 2020, we and our subsidiaries were parties to civil claims of an administrative or judicial nature with a probable risk of loss involving an aggregate amount of R$240.1 million, for which provisions have been made. We were also party to civil proceedings for which our risk of loss was deemed possible, and involves an aggregate amount of R$1,258.8 million and for which no provision has been made.

***Environmental claims***

As of March 31, 2020, we and our subsidiaries were parties to environmental claims of an administrative or judicial nature, with a probable risk of loss involving an aggregate amount of R$69.7million, for which provisions have been made. We were also party to environmental proceedings for which our risk of loss was deemed possible, and involves an aggregate amount of R$53.8 million and for which no provision has been made.

The principal environmental claims to which we and our subsidiaries are party relate to, among other things, environmental remediation works to be undertaken in service stations, distribution bases, airports, distribution centers (including, for example, removal of contaminated materials, treatment of the area, laboratory analyses and post-remediation monitoring) and the burning of sugarcane.

*Related Proceedings*

We and our subsidiaries are parties to certain related administrative proceedings (pertaining to environmental fines issued by environmental agencies), tax foreclosures, annulment actions and writs of mandamus. The infraction notices were issued as a result of alleged irregularities in the burning of sugarcane, the failure to pay environmental control and inspection fees, the use of sugarcane by-products, the use of fire in certain areas, damage to native vegetation, interventions in areas of permanent preservation, suppression of vegetation, discharge of effluents and atmospheric emissions, among others.

Additionally, we and our subsidiaries are parties to related public civil actions, in different procedural stages, involving the demarcation, institution and registration of legal reserve areas (20% of the overall rural property), recovery of permanent preservation areas or fragments of native vegetation, release of effluents, prohibition of the burning of sugarcane, and the proliferation of stable flies, among others.

*Terms of Conduct and Terms of Commitments*

We and our subsidiaries have entered into terms of conduct adjustment (*Termos de Ajustamento de Conduta*), or TACs, and terms of commitments (*Termos de Compromissos*), or TCs, with certain Public Prosecution Offices and environmental agencies pertaining to obligations related to delimitation, recovery or regeneration of permanent protected areas and legal reserves, as well as the implementation of measures related to agricultural activities for planting, cutting and harvesting sugarcane and industrial activities for the treatment, monitoring and discharge of effluents. Failure to comply with the clauses in the TACs or TCs by us or our subsidiaries may result in the payment of fines and the judicial enforcement of the obligations contained in the TACs or TCs.

*Investigations*

We are under investigation in 98 civil inquiries relating to alleged burning of sugarcane plantations, motivated by third parties without our consent (use of fire to facilitate harvests without due authorization from the environmental agency), pollution and damage to the environment and intervention in permanent protected areas, and

environmental contamination resulting from the leakage of fuels from gas stations which have a commercial relationship with Raízen, among other issues.

In addition, we are under investigation in 25 police inquiries relating to the use of fire to facilitate harvests without due authorization from the environmental agency and soil contamination, among other issues.

***Labor claims***

We and our subsidiaries are also parties to a number of labor claims filed by former employees and service providers challenging, among other things, the payment of overtime, paid vacations, additional thirteenth month salary, additional payments relating to dangerous or night time work, employment reintegration, break times during working days, certain work and rescission payments, limitations on the use of contractors and third-parties for the development of activities involving sugarcane, workplace accidents, moral and material damages, compliance with health and safety standards, obligations to comply with labor regulations, including rules issued by the competent government ministries, and attorney fees, among other things. Moreover, we entered into certain conduct adjustment terms (*Termos de Ajustamento de Conduta*) with Brazilian Labor Public Prosecutor's Office (*Ministério Público de Trabalho*) (relating among other things to the outsourcing of sugarcane cutting as well as health and safety standards) and in the event we fail to comply with such TAC, we could be subject to fines and issuance of public civil actions due to the non-compliance with TAC's obligations.

We and our subsidiaries are parties to a number of public civil actions, in different procedural stages, involving the payment of per diem, the limitations on the use of contractors and third-parties for the development of activities involving sugarcane, workplace accidents, collective moral damages, compliance with workday rules, and obligations to comply with MTE Regulatory Norms, among others, and we have entered into several TACs, by which was determined the reduction or prohibition to contract with service providers or third-parties to perform activities related to the manual cutting of sugarcane. These TACs also include obligations regarding adequate work conditions, as well as norms of safety and occupational medicine, such as the distribution of personal protective equipment, regular implementation of the internal prevention commission of accidents, issuance of work accident communication, adaptation of the environmental risk prevention program and occupational health medical control program, among others. Failure to comply with the TACs may result in the payment of fines and issuance of public civil actions.

As of March 31, 2020, we and our subsidiaries were parties to labor claims of an administrative or judicial nature, with a probable risk of loss involving an aggregate amount of R$398.5 million, for which provisions have been made. We were also party to labor proceedings for which our risk of loss was deemed possible, that we believe could have a financial impact on our business in an aggregate amount of R$290.4 million and for which no provision has been made.

***Tax***

As of March 31, 2020, we and our subsidiaries were parties to tax claims of an administrative or judicial nature, with a probable risk of loss involving an aggregate amount of R$850.7 million (of which R$60.1 million relates to non-reimbursable amounts and R$790.5 million relates to reimbursable amounts), for which provisions have been made. We were also party to tax proceedings for which our risk of loss was deemed possible, and involves an aggregate amount of R$16,574.1 million (of which R$8,146.3 million relates to non-reimbursable amounts and R$8,427.8 million relates to reimbursable amounts) and for which no provision has been made.

***Certain Material Legal Proceedings***

Below is a description of our principal proceedings:

- Corporate Income Taxes ("IRPJ") and Social Contribution on Net Profits ("CSLL"). We have received:
    - A tax assessment filed by the Brazilian federal tax authorities seeking to collect IRPJ and CSLL with regards to 2006 through 2009. The assessments challenged (1) the deductibility of certain amortization expenses and goodwill; (2) the offset of tax losses and the use of a negative calculation basis in connection with CSLL; and (3) certain taxes due in connection with discrepancies in the revaluations of certain assets. From January 2012 to October 2019, we appealed the tax assessment before the administrative tax court and obtained a partially favorable decision that canceled item (3) described

above and reduced one of the fines from 150% to 75% in connection with item (2) above. In November 2019, we filed an annulment request before certain federal courts to discuss the remaining items of the tax assessment. This lawsuit is in its initial phase. As of March 31, 2020, the aggregate amount under discussion was R$355.74 million, including interest and fines, which has been classified as having a possible risk of loss by external counsel. An insurance bond was issued to guarantee this amount.

- A tax assessment relating to the amortization of goodwill deducted from the basis of IRPJ and CSLL in 2011 and 2012. As of March 31, 2020, the total amount assessed by the Brazilian tax authorities, including interest and fines, was R$109.6 million. The risk of an unfavorable final decision in this proceeding has been classified as possible. As of the date of this offering memorandum, this proceeding is pending judgment of the administrative appeal filed by Raízen.

- A tax assessment related to the amortization of goodwill deducted from the basis of IRPJ and CSLL in 2013 and 2014. As of March 31, 2020, the total amount assessed by the Brazilian tax authorities, including interest and a 150% fine of the relevant goodwill expenses, was R$108.0 million. The risk of an unfavorable final decision in this proceeding has been classified as possible. As of the date of this offering memorandum, we are awaiting judgment by the administrative court.

- A tax assessment related to the amortization of goodwill deducted from the basis of IRPJ and CSLL in 2015 and 2016. As of March 31, 2020, the total amount assessed by the Brazilian tax authorities, including interest and a 150% fine of the relevant goodwill expenses, was R$5.8 million. The risk of an unfavorable final decision in this proceeding has been classified as possible. As of the date of this offering memorandum, we are awaiting judgment by the administrative court.

- A tax assessment related to the amortization of goodwill deducted from the basis of IRPJ and CSLL from 2013 to 2016. As of March 31, 2020, the total amount assessed by the Brazilian tax authorities, including interest and a 150% fine of the relevant goodwill expenses, was R$ 455 million. The risk of an unfavorable final decision in this proceeding has been classified as possible. As of the date of this offering memorandum, we are awaiting judgment by the administrative court.

Certain of the alleged underlying facts in relation to the above occurred before the formation of the Raízen joint venture on April 1, 2011. Accordingly, the amounts relating to the facts which occurred prior to the formation of the Raízen joint venture would be subject to reimbursement by shareholders in the event of an adverse decision. No provision has been made for these proceedings in our combined consolidated financial statements.

- *Goodwill contributed in Raízen Combustíveis.* This refers to tax assessments filed by the Brazilian federal tax authorities seeking to collect IRPJ and CSLL in connection with the amortization of goodwill derived from certain investments. As of March 31, 2020, the total amount of the tax assessment relating to the amortization of goodwill in 2011 and 2012 was R$210.9 million, and the total amount of the tax assessment relating to the amortization of goodwill in 2014 was R$43.4 million. As of the date of this offering memorandum, both proceedings are pending judgment of the administrative appeals filed by Raízen Combustíveis. The third tax assessment relating to the amortization of goodwill in 2013 has been challenged by Raizen Combustíveis before judicial courts since December 2019 (after the proceeding had been concluded in the administrative sphere). The alleged underlying fact occurred before the formation of the Raízen joint venture on April 1, 2011. Therefore, relevant amounts will be reimbursed by our shareholders in the event of an unfavorable decision. As of March 31, 2020, the total amount is R$128.3 million. The risk of loss with respect to the relevant assessments is estimated as possible. The alleged underlying fact occurred before the formation of the Raízen joint venture on April 1, 2011. Therefore, relevant amounts will be reimbursed by our shareholders in the event of an unfavorable decision.

- *Goodwill Raízen Tarumã (currently Raízen Paraguaçu).* This refers to tax assessments filed by the Brazilian tax authorities related to (1) the amortization of goodwill carried out from 2009 to 2012, in the total amount of R$61.4 million (March 31, 2020); and (2) amortization of goodwill carried out from 2013 to 2014, in the total amount of R$45.1 million (in each case, as of March 31, 2020). As of the date of this offering memorandum, both proceedings are pending judgment of the administrative appeals filed by Raízen. Part of the alleged underlying facts occurred before the formation of the Raízen joint venture on

April 1, 2011 and amounts relating to such facts are accordingly subject to reimbursement by shareholders in the event of an adverse decision.

- *Social Security Contributions.* In June 2010, Raízen Energia filed an ordinary action challenging the obligation to accrue the social security contributions tax based on gross revenue. The first instance court gave a partially favorable judgment. Currently, the case records are in the Court of Appeals awaiting judgment of the appeal filed by the Brazilian federal government against a partially favorable first-level decision. The risk of loss is classified as probable and as of March 31, 2020, the aggregate amount involved in these proceeding was R$432.8 million, for which Raízen had recorded provisions, and the same amount had been judicially deposited (the two together therefore cancel each other out). The alleged underlying facts occurred both before and after the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts would be subject to reimbursement by Raízen's shareholders for a portion of any loss in the event of an adverse decision.

- *Tax on industrialized products.* Nine tax claims filed by the Brazilian federal government based on Normative Instruction No. 67/98 regarding the tax on industrialized products (*imposto sobre produtos industrializados*), or IPI, allegedly due as a result of the removal of certain types of sugar from our facilities from 1992 to 1997, as the case may be. Three of the lawsuits are pending judgment by the lower court, while six of the lawsuits are pending judgment of the appeal filed by the attorney general against the lower court decision rendered in favor of Raízen. As of March 31, 2020, the aggregate amount involved in these proceeding was R$291.0 million and the risk of loss was classified as possible. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011. Therefore, relevant amounts will be reimbursed by our shareholders in the event of an unfavorable decision. In addition to these tax claims, we are also a party to other proceedings regarding the IPI imposed on sugar products of certain polarity levels (sugar products with a polarity level of at least 99.5º are exempt from IPI).

- *Tax on industrialized products*. Based on Normative Instruction No. 67/98, we applied for the offset of tax debts with the Brazilian federal tax authorities. Tax credits were generated from undue payment in relation to certain of its products, as allowed by Normative Instruction No. 67/98. The offset was partially granted by the administrative trial court. However, the calculation of the amount of credit is still pending. As of March 31, 2020, the amount involved in this proceeding was R$137.2 million. The risk of loss is classified as possible. The alleged underlying facts occurred before and after the formation of the Raízen joint venture on April 1, 2011. Accordingly, the amounts involved in the lawsuit will be reimbursed by our shareholders for a portion of any loss in the event of an unfavorable decision. No provision has been made for this proceeding in our consolidated financial statements.

- *MP 470*. Brazilian federal tax authorities have partially rejected our application for payment of federal tax debts with carryforward losses, pursuant to the payment plan provided for by provisional measure No. 470/2009. The Brazilian federal tax authorities' notice in this respect stated that our carryforward losses are insufficient to offset the relevant debts. As of March 31, 2020, the amount involved in this proceeding is R$113.1 million and the chance of loss is possible.

- *PIS and COFINS Credits.* Brazilian federal tax authorities issued tax assessment notices against us related to the allegedly undue use of PIS and COFINS credits. The proceedings refer to credits arising from the costs and expenses with goods and services directly associated with our activities and which were therefore deemed to be inputs. Part of the alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and amounts relating to such facts are accordingly subject to reimbursement by shareholders in the event of an adverse decision. Currently, the tax assessments are pending judgment by the administrative tax courts. As of March 31, 2020, the aggregate amount involved in such proceedings was R$629.8 million. In relation to the use of credits of PIS and COFINS by us after the formation of the Raízen joint venture on April 1, 2011 (and, therefore, these amounts would be reimbursed by our shareholders in the event of an adverse decision), we have received tax assessment notices. As of March 31, 2020, the aggregate amount involved in these proceedings is R$4,185.6 million. The risk of loss connected with PIS and COFINS credits is estimated as possible in each case.

- *ICMS – Diesel Oil.* Tax authorities of the state of São Paulo have challenged the use of ICMS credits by us based on their understanding that we should have written off ICMS credits derived from the acquisition of diesel used in several stages of sugar production, including vehicles and machines from suppliers, because

relevant credits were not directly associated with the main activity. In addition, it was alleged that we had failed to issue tax documents and had reported an incorrect amount of the ICMS due. In relation to the alleged actions that occurred before the formation of the Raízen joint venture on April 1, 2011, shareholders would reimburse us for a portion of any loss in case of an adverse decision. There are several ongoing administrative and judicial proceedings regarding the matter. As of March 31, 2020, the aggregate amount involved was R$338 million. In relation to the alleged actions that occurred after the formation of the Raízen joint venture on April 1, 2011, we have received tax assessment notices, which are currently pending decision of the first and second administrative court. As of March 31, 2020, the relevant amount in this proceeding was R$496 million. The risk of loss is classified as possible in each case. No provision has been made for this proceeding in our combined consolidated financial statements.

- *ICMS*. Tax assessment filed by tax authorities of the state of São Paulo against us relating to ICMS based on allegations of (i) the acquisition and sale of goods without proper registration in the tax books, and (ii) lack of registration of the fiscal documents that supported symbolic return of goods from warehouses. We obtained decisions from the lower administrative court and the administrative court of appeals that materially reduced the tax debt. As of the date of this offering memorandum, the proceeding is pending a new judgment by the administrative tax courts, although the material reduction already obtained remains valid and has been reflected in the collection documents. The total amount involved as of March 31, 2020 was R$360.3 million. The underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011. Accordingly, these amounts would be reimbursed by shareholders in the event of an adverse decision. No provision has been recorded for this proceeding in our financial statements.

- *ICMS – Jet Fuel (Raízen Combustíveis).* The state tax authority of Rio de Janeiro issued a tax assessment against Raízen Combustíveis in order to charge ICMS in operations involving jet fuel. Tax authorities argue that a tax incentive granted by the state of Rio de Janeiro was not constitutional, based on a decision rendered by the Brazilian Federal Supreme Court. After the recognition that these debts could be subjected to a remission, a petition was filed and is still waiting for a decision. The amount involved is R$456 million as of March 31, 2020. The risk of loss is classified as possible. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts would be subject to reimbursement by our shareholders in the event of an adverse decision. No provision has been made for this proceeding in our combined consolidated financial statements.

- *CIDE – Technical Services (Raízen Combustíveis).* Raízen Combustíveis filed a judicial lawsuit claiming that the Economic Intervention Contribution ("CIDE") is not levied on payments remitted abroad in connection with the import of technical services which do not involve the transfer of technology. It currently awaits a decision by the Brazilian Superior Court of Justice. The Brazilian federal tax authorities issued a tax assessment notice against Raízen Combustíveis in order to charge a part of the CIDE tax debt under dispute. The risk of loss is classified as probable. As of March 31, 2020, we recorded provisions in connection with this proceeding in the aggregate amount of R$388.9 million and have also deposited in an escrow account the same amount. As all our exposure is already guaranteed by the judicial deposit, there would be no cash impact from an adverse decision. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts would be subject to reimbursement by our shareholders in the event of an adverse decision.

- *WHT – Technical Services (Raízen Combustíveis).* The Brazilian federal tax authorities filed a judicial tax enforcement proceeding to charge WHT on payments made to a company domiciled in the Netherlands in connection with the rendering of technical services without the transfer of technology. The amount under dispute in the tax enforcement as of March 31, 2020 is R$477 million and Raízen Combustíveis presented a surety bond, that is under discussion, in order to continue to litigate. It is possible that judicial deposits may be due in the amount of R$430 million depending on the outcome of this guarantee discussion. The first level decision was unfavorable and an appeal has been filed. The risk of loss is classified as possible. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts would be subject to reimbursement by our shareholders in the event of an adverse decision.

- *PIS and COFINS Offsets (Raízen Combustíveis).* The Brazilian federal tax authorities filed a tax assessment to charge PIS and COFINS for the years 2006 to 2009 in connection with unauthorized offset of tax debts made by Raízen Combustíveis. Raízen Combustíveis obtained a partially favorable decision from the first-

tier administrative court, and tax authorities filed an appeal to the second-tier administrative court that is still pending a decision. The amount under dispute as of March 31, 2020 was R$603 million. The risk of loss is classified as possible. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts would be subject to reimbursement by our shareholders in the event of an adverse decision. No provision has been made for this proceeding in our combined consolidated financial statements.

- *PIS and COFINS (Raízen Combustíveis).* The Brazilian federal tax authorities filed a couple of judicial tax enforcement proceedings in order to charge PIS and COFINS debts originating from refund and offsetting claims made by Raízen Combustíveis. The amount under dispute as of March 31, 2020 was R$376 million and Raízen Combustíveis presented a surety bond in order to continue to litigate. The risk of loss is classified as possible. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts would be subject to reimbursement by our shareholders in the event of an adverse decision. No provision has been made for this proceeding in our combined consolidated financial statements.

- *Corporate Income Taxes – Goodwill Amortization (Raízen Combustíveis).* The Brazilian federal tax authorities issued a tax assessment notice in order to charge corporate income taxes for the years 2004 to 2006 and penalties due to the deductibility of goodwill amortization expenses triggered by the merger of Enterprise Oil Ltda. by Shell Brasil Ltda. (currently named Raízen Combustíveis). After a decision at the final level administrative tax court, the proceeding returned to the first-tier administrative tax court for a new decision. After an unfavorable decision, an Appeal was filed and the Tax Administrative Court reduced drastically the penalties imposed, decreasing the total amount by approximately 60% that is still under litigation to Special Court of Appeals at CARF. The amount in dispute is R$743 million as of March 31, 2020. The risk of loss is classified as possible. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts would be subject to reimbursement by our shareholders in the event of an adverse decision. No provision has been made for this proceeding in our combined consolidated financial statements.

- *Labor Public Civil Action No. 0000642-29.5-01.003.* Raízen Paraguaçú Ltda. (formerly known as Raízen Tarumã Ltda.), among other defendants, is a party to a civil public action filed by the Labor Prosecutor's Office of the city of Rio de Janeiro in the state of Rio de Janeiro relating primarily to the following matters: (1) exposure of employees to conditions that are allegedly degrading, (2) alleged irregularities in the outsourcing practices of the companies and (3) alleged noncompliance with health and safety rules and regulations relating to working hours. The Labor Court ruled the case groundless in the first instance. The Public Prosecutor's Office of Rio de Janeiro and Raízen appealed against the decision to the Regional Labor Appeals Court. The risk of loss is classified as possible. Should the proceedings be decided against Raízen, this may result in Raízen being barred from outsourcing certain core activities, an obligation to comply with certain health and safety rules as well as rules applicable to employees' working hours, the imposition of pecuniary fines in case of noncompliance and indemnification for the violation of employees' rights (including collective moral damages) in an amount of R$5,502,563.63. The alleged underlying facts occurred before the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts would be subject to reimbursement by our shareholders for a portion of any loss in the event of an adverse decision. No provision has been made for this proceeding in our combined consolidated financial statements.

- *Labor Public Civil Action.* Raízen Energia and certain of its subsidiaries are defendants in a confidential labor public civil action filed by the Labor Prosecutor's Office in relation to allegations of discrimination by Raízen in the hiring of certain former employees. The Labor Court ruled against Raízen in the first instance. Raízen has appealed against the decision to the Regional Labor Appeals Court. The risk of loss is classified as remote. Should the proceedings be decided against Raízen, this may result in the imposition of collective moral damages in an amount of R$3 million plus interest as provided by law – such amount corresponding to a reduction of the initial claimed amount of R$10 million ruled by the Labor Court in the first instance. The alleged underlying facts occurred before and after the formation of the Raízen joint venture on April 1, 2011 and, therefore, these amounts would be subject to partial reimbursement by our shareholders for a portion of any loss in the event of an adverse decision. No provision has been made for this proceeding in our combined consolidated financial statements.

- *Proceedings from Unions and Former Employees.* Raízen Energia and its subsidiaries are defendants in certain legal proceedings brought by unions and former employees relating to amounts claimed to be due in connection with overtime and other labor rights allegedly breached by the company. The amounts involved in these proceedings are: (1) R$215.4 million with regards to the portion of these proceedings which would be subject to reimbursement by our shareholders in the event of an adverse decision as the alleged facts occurred before the formation of the Raízen joint venture on April 1, 2011 (for which our shareholder has recorded provisions in an aggregate amount of R$160.9 million); and (2) R$3,051.4 million in relation to the portion of these proceedings which relates to alleged facts which occurred after the formation of the Raízen joint venture on April 1, 2011 (for which we have recorded provisions in the aggregate amount of R$194.4 million).

***Judicial Deposits***

In accordance with court orders concerning certain legal proceedings, we have outstanding judicial deposits in an aggregate amount of R$471.8 million as of March 31, 2020.

***Criminal Actions and Investigations***

*Environmental Criminal Action*

According to article 225, paragraph 3, of the Brazilian Federal Constitution and Law No. 9,605/98, legal entities may be subject to criminal and administrative sanctions if they engage in environmentally damaging actions. In addition, entities which engage in such actions may also be required to repair the environmental degradation caused. Under the terms of article 21 of Law No. 9,605/98, legal entities are subject to fines, penalties restricting rights and community service obligations.

As of March 31, 2020, Raízen Energia was a party to a criminal action that investigates the occurrence of an alleged environmental crime. On September 24, 2007, the Public Prosecution Office of Jaú, in the state of São Paulo, and Usina da Barra S.A. filed a claim against Rubens Ometto Silveira Mello and Emílio Francisco Veguin, as representatives of Usina da Barra S.A. – Açúcar e Álcool (a predecessor entity of Raízen Energia) in relation to an alleged crime of disobedience and pollution. The defendants are accused of failing to comply with a court order relating to a public civil action in which the court granted a preliminary injunction requiring the immediate cessation of the use of fire to burn sugarcane in the vicinity of the municipality of Jaú. Mr. Mello filed a *habeas corpus* claiming (1) the illegitimacy of his status as a defendant, since he did not participate in the alleged conduct and was not the owner or lessor of, nor did he exercise control over, the area in which the alleged conduct occurred; (2) that the alleged behavior does not constitute a crime, since the notification regarding the prohibition of the use of fire to burn sugarcane was not given by a competent authority; and (3) that the right to control the use of fire to burn sugarcane has been re-established in the context of public civil action. Since March 27, 2008, by decision of the Federal Regional Court of the Third Region in the judgment of *habeas corpus*, the progress of the criminal action has been suspended until the judgment on the merits of public civil action No. 2007.61.17.002615-9. The statute of limitations of the crime of disobedience has lapsed and the alleged crime of pollution has been transferred from the 1st Criminal Court to the 2nd Criminal Court of Justice of the District of Barra Bonita. The proceedings are currently suspended. The public civil action was dismissed with the judgment of an appeal filed by the Federal Regional Court of the 3rd Region in March 2018, considering that the authorization of CETESB to burn sugarcane was not illegal. In addition, on January 31, 2020, the Civil Public Action became final and unappealable. The criminal action, as well as its statute of limitations, has been suspended, by court order, since March 27, 2008. Therefore, we expect the criminal action to be dismissed. The risk of loss for this proceeding has been evaluated as remote.

*Criminal Investigations involving Raízen Combustíveis*

On July 31, 2018, the Civil Police of the state of Paraná launched Operation Controlled Margin to investigate the alleged involvement of Raízen Combustíveis, among other distributors, in a scheme to control the final price of fuel sold in service stations located in such region. On the same date, search and seizure warrants were executed and three of our employees were temporarily arrested. Such arrest warrants were withdrawn after three days and there have been no further actions related to such operation. Restrictive measures previously in place were cancelled in 2019. In parallel, also on July 31, 2018, in connection with Operation Dubai, the Public Prosecutor's Office of the Federal District filed a complaint against, among other parties, Raízen Combustíveis and one employee of Raízen Combustíveis in relation to certain alleged anticompetitive practices. In said complaint, the Public Prosecutor's Office of the Federal District requested that certain assets and funds of Raízen Combustíveis in an amount of

approximately R$120 million be frozen. This freezing of assets was not put in place, as a result of certain guarantees being provided to the court. Raízen Combustíveis is currently contesting both sets of proceedings.

Raízen Combustíveis is currently the subject of a criminal investigation, which commenced with an administrative proceeding before CADE in 2009 against certain resellers and distributors. The proceeding is related to the alleged artificial price fixing of fuel and the alleged formation of a cartel among fuel distributors and resellers in the Brazilian Federal District in order to establish regional market control. In 2012, CADE issued a technical note that alleged the existence of cartels within the sector. In November 2015, the Brazilian federal police executed search and seizure warrants against certain resellers and fuel distributors, including Raízen Combustíveis at its distribution terminal in Brasília. Raízen Combustíveis is cooperating with Brazilian authorities in connection with the investigation, which is currently ongoing. As of the date of this offering memorandum, no individual (including gas station owners) indicted in connection with the investigation has any relationship or affiliation with Raízen Combustíveis. On June 30, 2020, CADE issued a technical notice, which we are currently evaluating, commencing an administrative proceeding involving resellers and fuel distributors, including Raízen Combustíveis. If Raízen Combustíveis or any of its employees are determined to have been involved in the misconduct, Raízen Combustíveis may be subject to penalties, including fines.

*Criminal Proceedings Involving Members of Our Management*

Certain members of our management are parties to criminal proceedings. For further information on such proceedings, please see “Management—Criminal Proceedings Involving Members of Our Management.”

## MANAGEMENT

Our board of directors and our executive officers are responsible for the operation of our business, as described below. For information on the management of the Issuer, see "The Issuer."

### Board of Directors

Our board of directors consists of three directors nominated by Cosan and three directors nominated by Shell. The chairman of Cosan, Rubens Ometto Silveira Mello, is the chairman of our board of directors. Cosan and Shell have each designated a shareholder representative who is responsible for determining the Raízen joint venture's strategic priorities and resolving any deadlock within the board of directors.

Our board of directors is the decision-making body responsible for, among other things, determining policies and guidelines for our business. The board of directors also supervises our executive officers and monitors their implementation of policies and guidelines established from time to time by our board of directors.

The members of our board of directors are elected for three-year terms at general meetings and are eligible for reelection. Members of our board of directors are subject to removal at any time with or without cause at a general meeting of shareholders. Our bylaws do not include any citizenship or residency requirements for members of our board of directors.

The following table sets forth certain information related to the current members of our board of directors:

| Name | Date of Election | Position Held |
|---|---|---|
| Rubens Ometto Silveira Mello | April 2, 2020 | Chairman |
| Huibert Hans Vigeveno | January 10, 2020 | Member |
| Istvan Kapitany | June 1, 2017 | Member |
| Douglas Moray Alexander | May 30, 2019 | Member |
| Luis Henrique Clas de Beauclair Guimarães | April 2, 2020 | Member |
| Marcelo Eduardo Martins | June 1, 2017 | Member |

The following is a summary of the business experience of the current members of our board of directors.

*Rubens Ometto Silveira Mello.* Mr. Mello is the chairman of our board of directors. He holds a degree in mechanical engineering from the Polytechnic School of the University of São Paulo (*Escola Politécnica da Universidade de São Paulo*) (1972). Mr. Mello has more than 30 years of experience in the management of large companies. He has also served as general director and chairman of the board of directors of Costa Pinto S.A. since 1980 and officer and chairman of the board of directors of Aguassanta Participações S.A., since 2001. Currently, Mr. Mello is the chairman of the boards of Cosan S.A., Comgás, Rumo, Cosan Logística S.A., Raízen, Radar and Moove. He is also one of the founders of UNICA, the Sugarcane Agroindustry Association of the state of São Paulo (*UNICA—União da Agroindústria Canavieira do Estado de São Paulo*). Prior to joining Cosan, Mr. Mello worked from 1971 to 1973 as an advisor to the board of executive officers of UNIBANCO União de Bancos Brasileiros S.A., and from 1973 to 1980 as chief financial officer of Indústrias Votorantim S.A.

*Huibert Hans Vigeveno.* Mr. Vigeveno is a member of our board of directors. Mr. Vigeveno is a Dutch citizen, holding a master's degree in Business Administration from Erasmus University in Rotterdam. Mr. Vigeveno started his career at Shell as a business analyst in 1995 as a business analyst and acquired extensive experience in sales, marketing and general management during allocations in the areas of Chemicals, Shell Capital, LPG and Lubricants in the United Kingdom, the Netherlands, United States of America, Mexico, Brazil and China. In 2009, Mr. Vigeveno was appointed as Vice President of Supply and Distribution, Europe & Africa and played a key role in the integration and creation of additional value throughout the Downstream chain. Mr. Vigeveno moved to Beijing in 2012, when he was appointed as Shell's Executive Chairman in China, strengthening the company's business in Upstream and Downstream within China and internationally with Chinese partners. Mr. Vigeveno returned to London in 2015 to lead the integration plan for the business combination with the BG Group. In 2016, Mr. Vigeveno was appointed Transition CEO of Grupo BG, Shell's largest acquisition in more than a century.

*Istvan Kapitany*. Mr. Kapitany is a member of our board of directors. He holds the position of Executive Vice-President of Global Retails of the Shell group since April 2014 and has over 30 years of experience in the downstream fuel business.

*Douglas Moray Alexander*. Mr. Alexander is a member of our board of directors. He holds the position of Executive Vice President of Financial Operations at the Shell group since 2013. He has 29 years of experience with Shell in the Upstream and Downstream, including experience in Latin America.

*Luis Henrique Clas de Beauclair Guimarães.* Mr. Guimarães became chief executive officer of Cosan. He was chief executive of Raízen until March 31, 2020. Mr. Guimarães was also formerly the chief executive officer of Comgás, and after that the Fuels Operational Officer and responsible for the Raízen joint venture's Downstream division, which covers the retail, commercial and aviation businesses. Mr. Guimarães joined Shell in 1987 and worked in several positions in the lubricants and retail businesses in Brazil and abroad (based in London). From 2007 until September 2010, he served as Shell's Chief Marketing Officer for Lubricants in North America, based in Houston.

*Marcelo Eduardo Martins*. Mr. Martins is a member of our board of directors and was a member of Cosan S.A.'s board of directors from March 23, 2009 until December 12, 2017 and member of Cosan Logística's board of directors from April 30, 2015 until April 5, 2018. Mr. Martins also holds the position of chief financial officer and investor relations officer of Cosan Limited, Cosan S.A. and Cosan Logística. In July 2007, Mr. Martins was appointed as an executive officer of Aguassanta Participações S.A. Prior to joining the Cosan Group, Mr. Martins was the Chief Financial and Business Development Officer of Votorantim Cimentos between July 2003 and July 2007 and, prior to that, head of Latin American Fixed Income at Salomon Smith Barney (Citigroup) in New York. He has significant experience in capital markets, having worked at Citibank (where he began his career as a trainee in 1989), Unibanco, UBS and FleetBoston. He has a degree in business administration from FGV.

**Executive Officers**

Our board of executive officers serves as our executive management body. It is responsible for our internal organization and day-to-day operations and for the implementation of the general policies and guidelines established from time to time by our board of directors.

Our board of executive officers must comprise a minimum of four and a maximum of eight officers, with at least one Chief Executive Officer, one Operations Officer, one Chief Financial Officer and Officer for Investor Relations, and one Executive Officer (with the remaining officers receiving specific designations granted by the board of directors). Our executive officers are elected for a term of three years (except for our Chief Executive Officer who is elected for a term of two years), and are eligible for reelection.

The following table sets forth certain information related to our current executive officers:

| Name | Date of Election | Position Held |
|---|---|---|
| Ricardo Dell Aquila Mussa | April 1, 2020 | Chief Executive Officer |
| Guilherme José de Vasconcelos Cerqueira | June 1, 2017 | Chief Financial Officer and Officer for Investor Relations |
| Francis Vernon Queen Neto | April 15, 2019 | Executive Vice President for Ethanol, Sugar and Bioenergy |
| José Leonardo Martin de Pontes | June 1, 2017 | Commercial Executive Vice President |
| Antonio Simões Rodrigues Júnior | April 1, 2020 | Executive Director |
| Antonio Ferreira Martins | June 1, 2017 | Legal Vice President |

The following is a summary of the business experience of our executive officers.

*Ricardo Dell Aquila Mussa*. He holds a degree in Production Engineering from the Polytechnic School of the University of São Paulo. Mr. Mussa became executive director of the Raízen joint venture on April 1, 2020, previously he was the Executive Vice President, responsible by the group's Logistics, Trading and Distribution and also was the CEO of Cosan Lubrificantes and later CEO of Moove Lubrificantes with operations in six countries including Europe and Latin America. He joined Cosan in 2007 and was one of the founders and CEO of Radar for five years, a company dedicated to investment on agricultural land with high recovery potential. During this period, he was also a member of the Board of Westchester in the United States, a TIAA CREF (American Pension Fund) company responsible for investments in the United States, Europe and Australia. Previously he performed several functions in multinationals such as Unilever and Danone, mainly in the Supply Chain area. He was responsible for

the logistics area of Danone in Brazil in 2007 and for the manufacturing area of Unilever's main cosmetics factory in Latin America between 2006 and 2007. Still at Unilever, he served as global director of Purchases of oils and fats and was also responsible for purchasing agricultural commodities in more than 25 countries. With extensive international experience, he worked at Unilever USA in Connecticut in 2002.

*Guilherme José de Vasconcelos Cerqueira*. Mr. Cerqueira is the chief financial officer and officer for investor relations of Raízen. Since 1988, Mr. Cerqueira has held several positions within the Shell group, including management positions at Shell International Ltd., in London, United Kingdom, between 2004 and 2007. At Raízen, he held the position of controller from Raízen's creation in April 2011 until April 2014, when he became chief financial officer responsible for finance, treasury, supply, procurement and investor relations. Mr. Cerqueira led the team responsible for the issuance of Raízen's first asset-backed bond (Agriculture Receivable Security) at the end of October 2014 which opened the market for the whole industry: the transaction gathered interest from over 2,000 investors and raised R$675 million. He has a bachelor's degree in Mechanical Engineering from the Universidade Federal do Rio de Janeiro. He also holds an MBA from COPPEAD.

*Francis Vernon Queen Neto*. Mr. Neto holds a degree in Electrical Engineering from the Polytechnic School of the University of São Paulo. In 2008, Francis assumed the position of CIO of the Cosan Group, coming from Accenture do Brasil. In 2010 he was appointed Executive Director responsible for Cosan's Shared Services Center. With the formation of the Raízen joint venture, he took over the management of Raízen's Shared Services Center. In 2017, he became Vice President of Ethanol, Sugar and Bioenergy Operations. One year later, he assumed the Executive Vice Presidency of Sugar, Ethanol and Bioenergy of Raízen, coordinating more than 23 thousand employees in the 26 sugar cane producing units.

*José Leonardo Martin de Pontes*. Mr. Pontes is the Executive Officer for fuels distribution at Raízen Combustíveis. Prior to holding this position, he was the executive Director for Logistics, responsible for all the fuels operations in Brazil and global ethanol and sugar operations. From 2011 to 2013 he had occupied the B2C and B2B commercial direction. Mr. Pontes has a bachelor's degree in Business Administration with an emphasis on Finance by Rio de Janeiro State University and post graduate degrees in Strategy, Negotiation and Leadership from the universities of Cranfield, Harvard and INSEAD, respectively. Mr. Pontes has over 17 years of experience in the fuels and energy markets. At the Shell group, which he joined in 1997, he worked for 13 years in Brazil and Europe in several positions, including positions relating to global fuels pricing strategy, commercial and business development and strategic planning. In 2009, he led the retail strategy and business development general management for Latin America.

*Antonio Simões Rodrigues Júnior*. Mr. Simões holds the position of Executive Director at Raízen. He also served as an alternate member of the board of directors of Logum (ethanol pipeline system) and as member of the executive board of Petróleo Sabbá S.A., which mainly serves the northern region of Brazil. Previously, he held the position of Director of Logistics and Offshore Trading at Raízen, based in Geneva, where he was responsible for all the development and operation of the company's global ethanol trading. Between 1997 and 2010, he held several positions in Trading, Supply and Logistics at Shell, in the Rio de Janeiro, London and Dubai. Mr. Simões is a production engineer graduated from Universidade Federal Fluminense, with an MBA in marketing from CEFET-RJ.

*Antonio Ferreira Martins*. Mr. Martins has worked in several companies from the Shell group for more than 20 years (since 1989). He has previously held counsel positions in other companies and in private practice law firms.

**Criminal Proceedings Involving Members of Our Management**

Certain members of our management are parties to criminal proceedings, as follows:

***Mr. Rubens Mello***

Mr. Rubens Ometto Silveira Mello, in his capacity as a representative of Usina da Barra S.A. – Açúcar e Álcool (the former corporate name of Raízen Energia), was named a defendant in a complaint filed on September 24, 2007 alleging the crimes of disobedience and pollution in connection with the burning of sugarcane straw by the company in contravention of a judicial decision in a public civil class action which banned this practice in the region. In a motion, Mr. Mello pleaded (1) the illegitimacy of his status as a defendant, given that he did not participate in the alleged conduct and was not the owner or lessor nor did he exercise control over the area in which the alleged conduct took place, (2) the fact that the alleged conduct does not constitute a crime, given that the notice regarding the prohibition against the burning of sugarcane straw was not given by the competent authority and (3) that the

right to the controlled burning of sugarcane in the region was reestablished in the context of the public civil class action and that the allegations with regards to the crimes of disobedience and pollution should therefore be disregarded. The motion was granted in part in relation to the suspension of the criminal proceeding until the rendering of a final judgment in the public civil action. While the statute of limitations with respect to the crime of pollution was tolled, the statute of limitations with respect to the crime of disobedience was not expired and has tolled. Accordingly, the complaint with respect to the crime of pollution was remanded to the state authorities in order for the investigations in connection with crime of pollution to continue. As of the date of this offering memorandum, this criminal proceeding remains suspended until the decision in the related public civil class action that recognized that the authorization of CETESB to burn sugarcane was not illegal becomes final and unappealable, which occurred on January 31, 2020 but has not yet been attached to the case record of the criminal proceeding. In the event the criminal proceeding is permitted to advance, Mr. Mello will be subject to the applicable criminal penalties. In the opinion of counsel responsible for Mr. Mello's defense, compelling legal arguments exist that would support dismissal of the charges against Mr. Mello, and the likelihood of a decision favorable to Mr. Mello is probable.

Mr. Rubens Mello was also named as a defendant, among others, in a criminal complaint filed on August 28, 2014 to determine whether they have committed tax evasion in connection with the alleged failure to adequately pay state value added taxes (ICMS). The determination as to whether outstanding taxes are in fact due is at issue in a separate tax collection enforcement proceeding that is independent of the criminal proceeding. Bank letters of credit and insurance guarantees have been deposited with the relevant court in order to secure the amount in controversy. Given the fact that the crime of tax evasion requires there to be an actual loss to the tax authorities, such deposits have generally been interpreted by the Brazilian courts to eliminate criminal liability given that there would no longer exist a direct or indirect risk of harm to the public treasury and the allegedly illicit conduct of the defendants would no longer constitute a crime. This understanding, however, may change depending on the judge's final decision. In view of the foregoing, the defense filed a motion requesting that the criminal proceedings (which are currently suspended) be terminated for lack of cause. The criminal action is currently suspended and there is still an appeal pending with regards to the filing of the accusation. In the opinion of counsel responsible for the defense, the likelihood of a decision favorable to the defendants is possible. In any event the payment of the amounts due would be sufficient to extinguish criminal liability.

Mr. Rubens Mello was named as a defendant, among others, in a criminal complaint filed on May 16, 2019 to determine whether they have committed tax evasion in connection with the alleged failure to adequately pay state value-added taxes (namely ICMS). The determination as to whether outstanding taxes are in fact due is at issue in a separate tax collection enforcement proceeding that is independent of the criminal proceeding. Bank letters of credit and insurance guarantees have been deposited with the relevant court in order to secure the amount in controversy. Given the fact that the crime of tax evasion requires there to be an actual loss to the tax authorities, such deposits have generally been interpreted by the Brazilian courts to eliminate criminal liability given that there would no longer exist a direct or indirect risk of harm to the public treasury and the allegedly illicit conduct of the defendants would no longer constitute a crime. This understanding, however, may change depending on the judge's final decision. In the opinion of counsel responsible for the defense, the likelihood of a decision favorable to the defendant is possible.

***Mr. Rubens Mello and Mr. Guilherme Cerqueira***

Mr. Cerqueira, an executive officer of Raízen Centroeste Açúcar e Álcool Ltda. (formerly known as Cosan Centro-Oeste Açúcar e Álcool Ltda.), and Mr. Mello, while an executive officer of Raízen Centroeste Açúcar e Álcool Ltda., were named defendants, together with Raízen Centroeste Açúcar e Álcool Ltda., in a complaint filed on July 20, 2011 alleging artificial price fixing of fuel and the formation of a cartel for the purpose of establishing regional market control. In their defense, Mr. Mello and Mr. Cerqueira maintain that their status as defendants in the proceeding is not proper given the lack of proof of their involvement in the alleged illicit acts. Mr. Mello and Mr. Cerqueira also maintain that the increase in the price of ethanol resulted solely from market forces (i.e., that the increase in the price of ethanol did not result from criminal conduct, but rather the lawful exercise of a recognized constitutional right of free enterprise). The claim was accepted and the criminal proceedings are currently in an initial phase.

The defendants filed a motion of *habeas corpus*, which was partially granted on May 18, 2017 with regards to the crime of conspiracy but rejected with regards to the crime of cartel formation. Decision on the appeals is still pending. On February 21, 2018, the judge ordered a stay of the action and the cancellation of scheduled hearings

pending a decision from the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*). As a result of an additional *habeas corpus* filed by a co-defendant, the prosecutor's appeal was dismissed by the Supreme Court of Justice (*Supremo Tribunal de Justiça*). This decision extended its effects to all defendants. Although the extinction of the criminal liability has been determined in relation to Mr. Mello and Mr. Cerqueira, the criminal action has not been fully terminated because other co-defendants adhered to a two-year stay of proceedings, which includes a probationary period. As the two-year stay of proceedings had elapsed, including the probationary period related thereto, in June 2019, the defendants are currently waiting for the case to be closed and for the complaint about the formation of the cartel to be dismissed with prejudice. The risk of loss in these proceedings is estimated as remote.

***Mr. Marcelo Martins***

Mr. Marcelo Eduardo Martins is a defendant in a criminal suit filed by the Public Prosecutor of the state of Bahia on July 4, 2016, regarding the crime of tax evasion for the alleged failure to pay ICMS by Votorantim Cimentos N/NE S/A prior to Mr. Martins joining Raízen. A reply to the indictment has already been filed and the case is being analyzed. The related tax enforcement is duly guaranteed by means of a bank guarantee letter. In the opinion of counsel responsible for the defense, the likelihood of a decision favorable to the defendant is possible.

***Mr. Ricardo Dell Aquila Mussa***

Mr. Ricardo Dell Aquila Mussa is among the defendants in a criminal proceeding initiated by Nike International Ltd. and Nike do Brasil Comércio e Participações Ltda. in connection with alleged crimes against intellectual property and trademarks (as provided for in Brazilian law) relating to the alleged unauthorized use of a registered trademark, as well as the importing of products marked with brands illegally reproduced or copied from a third party (in each case, in their respective capacities prior to joining Raízen). All defendants have already presented their respective defenses, and a favorable decision of acquittal was granted by a first instance court on November 13, 2017, and then confirmed by the Criminal Court of Appeal of the State of São Paulo after ruling on the appeal filed by the prosecution on June 6, 2019. Nike lodged a special appeal and an extraordinary appeal against the decision from the Criminal Court of Appeal of the State of São Paulo, a decision on which is still pending. According to counsel responsible for this lawsuit, the likelihood of a decision favorable to the defendants is probable.

**Family Relationships**

As of the date of this offering memorandum, the members of our board of directors and our executive officers do not have any family relationships among themselves, with the members of the boards of directors of our subsidiaries, with our controlling shareholder or with the boards of directors of our subsidiaries.

**Compensation**

The aggregate compensation paid to members of our board of directors and executive officers during the year ended March 31, 2020 was R$107.7 million. Below is a table showing the aggregate compensation paid to members of our board of directors and executive officers segregated by annual fixed and variable compensations:

| Total Compensation | Fiscal Year ended March 31, 2020 |
|---|---|
| | (in R$ millions) |
| Annual fixed compensation | 56.9 |
| Variable compensation | 50.8 |
| **Total** | **107.7** |

## PRINCIPAL SHAREHOLDERS

### Issuer

Raizen Fuels Finance S.A. is a wholly-owned subsidiary of Raízen Energia. For further information on the Issuer, see "The Issuer."

### Raízen

#### *Raízen Combustíveis*

As of March 31, 2020, Raízen Combustíveis' issued and outstanding share capital was R$1,921,843,458.17, fully issued and paid-in comprising 1,661,418,472 common shares and 1 Class A preferred share, 100,000 Class D preferred shares and 81,897,057 Class E preferred shares, all nominative and without nominal value. There has been no change in our share capital since March 31, 2020.

Cosan and its subsidiaries and Shell and its affiliates likewise each own 50% common equity interest in Raízen Combustíveis. Furthermore, Cosan and its subsidiaries own 50% minus one of the voting shares, whereas Shell and its affiliates own 50% plus one share of the voting shares. Cosan and its subsidiaries and Shell and its affiliates also hold preferred shares bearing preferential dividend rights in certain circumstances if certain contingent targets are met.

#### *Raízen Energia*

As of March 31, 2020, Raízen Energia's issued and outstanding share capital was R$6,516,353,969.58, fully issued and paid-in comprising 7,243,283,198 common shares and 1 Class A preferred shares, 133,242,457 Class B preferred shares and 100,000 Class D preferred shares, all nominative and without nominal value. There has been no change in our share capital since March 31, 2020.

Cosan and its subsidiaries and Shell and its affiliates each own 50% common equity interest in Raízen Energia. In addition, Cosan and its subsidiaries own 50% plus one share of the voting shares (and preferred shares bearing preferential dividend rights in certain circumstances), whereas Shell and its affiliates own 50% minus one share of Raízen Energia's voting shares.

### Agreements between Cosan and Shell

Cosan and Shell have entered into other definitive agreements concerning the scope of the Raízen joint venture, the governance and management of the Raízen joint venture and the granting of reciprocal put and call options concerning their interests in the Raízen joint venture.

*Shareholders' Agreement*

The shareholders' agreements for Raízen Energia and Raízen Combustíveis were entered into on June 1, 2011. In 2018 Cosan and Shell executed the third and the fourth amendment in order to reflect certain amendments to the scope of Raízen Energia, and to include wholesale energy trading within Brazil and the distributed generation of solar power through plants with a maximum capacity of five megawatts generation energy (*geração distribuída*).

On November 22, 2016, Cosan and Shell executed the second amendment to certain agreements between them to remove the fixed date call options over Raízen Energia and Raízen Combustíveis shares exercisable in 2021 and 2026 and replace them with certain call options exercisable by Shell or Cosan in specific circumstances. Moreover, Cosan and Shell agreed to renew the existing lock up period for five years from the date of the execution of the amendment, following which the parties may sell their shares in each of Raízen Energia and Raízen Combustíveis subject to compliance with certain preemption rights in each other's favor.

The shareholders' agreements for Raízen Energia and Raízen Combustíveis establish the scope and governance of the Raízen joint venture, as well as its dividend policy. The agreements provide that the scope of the Raízen joint venture is the global production of sugarcane-based ethanol and sugar and the distribution, sales and trading of fuel products within Brazil. Cosan, Shell and their respective affiliates are prohibited from competing with the Raízen joint venture as long as they remain shareholders of the Raízen joint venture (subject to customary exceptions).

The shareholders' agreement provides that the Raízen joint venture will be governed by the boards of directors that are composed of six members: three nominated by Cosan, with Mr. Rubens Ometto Silveira Mello acting as chairman, and three nominated by Shell. Most decisions by the boards of directors require a quorum of two-thirds of the members designated by Cosan and two-thirds of the members designated by Shell, and are generally made by a majority of the members present and voting at the relevant meeting. Certain significant matters, however, will require the consent of five of the six or four of the six members, as the case may be.

The matters which require the consent of five of the six or four of the six members include but are not limited to the following:

- setting the general strategic guidelines and direction for the Raízen joint venture and amending and updating the Raízen joint venture's business plan;
- appointing, removing or terminating members of the executive board;
- determining the compensation and benefits of certain employees;
- amending key policies and procedures of the Raízen joint venture;
- adopting or amending the annual and capital budgets;
- instituting or settling any litigation or dispute in excess of a specified sum or which could damage the reputation of the Raízen joint venture, Cosan or Shell;
- selling, assigning, transferring or encumbering assets of the Raízen joint venture outside of the ordinary course of business in excess of a specified amount;
- entering into transactions (including mergers, stock purchases or asset purchases) of which the value or purchase price exceeds a specified amount;
- making capital expenditures in excess of a specified amount, subject to certain exceptions;
- submitting any matters, including financial statements and reports, to the meeting of the Raízen joint venture's shareholders;
- entering into any contract, agreement or instrument outside of the ordinary course of business and that provides for payments in excess of a specified amount;
- entering into material amendments, modifications or waivers or terminating any contract where payment obligations exceed a specified amount;
- making any decision to borrow money or guarantee the payment or performance of any obligation in excess of a specified amount or to prepay indebtedness of a specified amount;
- creating any encumbrance over or the issuance of any Raízen joint venture securities or any option relating to any Raízen joint venture securities, subject to certain exceptions;
- approving the credit limits or the extension of credit to any customer of the Raízen joint venture in excess of a specified amount; and
- entering into, amending, terminating or renewing any insurance policy.

If the board of directors cannot reach a decision with respect to a matter that is their responsibility, one representative of Cosan and one representative of Shell will meet to attempt to resolve the matter. Any decision by these shareholder representatives must be unanimous. If the shareholder representatives cannot reach a joint decision, no decision is to be taken or effected and the *status quo* shall prevail.

Additionally, certain matters require the consent of the shareholders of the Raízen joint venture. These matters include, but are not limited to, removal of any member of a board of directors; approval of board of directors resolutions relating to dividend payments; approval of management accounts and financial statements; amendments to the by-laws of Raízen Energia or Raízen Combustíveis; and issuance of securities by the Raízen joint venture.

The shareholders' agreements provide that a shareholder may lose certain governance rights if it fails to make capital contributions that may be required pursuant to the shareholders' agreements or to make certain payments required pursuant to the framework agreement. If the delinquent party pays or contributes such amounts in full within a specified cure period, the respective governance rights of the shareholders are returned to their original state prior to any such delinquency.

The day-to-day management of the Raízen joint venture is conducted by the executive boards, composed of a chief executive officer and other senior executive officers. The shareholders' agreements set forth the various functions and responsibilities of the chief executive officer and senior management, as well as the actions that may be taken by the executives without the approval of the relevant board of directors.

*Joint Venture Agreement*

The joint venture agreement was entered into on June 1, 2011, and amended on November 22, 2016, between Cosan, Cosan Limited, Raízen Combustíveis, Raízen S.A., Shell, Shell Overseas Holdings Limited and Raízen Energia S.A. The joint venture agreement sets forth the rights and obligations of each shareholder in respect of Cosan's and Shell's interest in the Raízen joint venture and establishes certain options whereby Cosan or Shell may acquire the other shareholder's interest in the Raízen joint venture, certain lock-up provisions, rules governing the intra-group transfers regarding to the economic group of Cosan and Shell, and remedies for fundamental breaches of the documentation governing the incorporation and operation of the Raízen joint venture.

In November 2016, Cosan and Shell executed amendments to certain agreements between them to remove the fixed date call options over Raízen Energia and Raízen Combustíveis shares exercisable in 2021 and 2026 and replace them with certain call and put options exercisable by Shell or Cosan in certain circumstances, including, among others: (1) fundamental breaches of the obligations provided for in the agreements governing the Raízen joint venture; (2) breach of anticorruption laws, (3) insolvency or bankruptcy of a party, (4) change of control, and (5) in the event of the death or disability of Cosan's current Chairman, Mr. Rubens Ometto Silveira Mello. Moreover, Shell and Cosan agreed to renew the existing lock up period for five years from the date of the execution of the amendment, following which the parties may sell their shares in each of Raízen Energia and Raízen Combustíveis subject to compliance with certain preemption rights in each other's favor.

## RELATED PARTY TRANSACTIONS

### Our Related Party Transactions Policy

Our policy requires us to only enter into related party transactions in the ordinary course of our business on an arm's length basis and according to prevailing market terms.

Our procedures for analyzing potential transactions with related parties complies with the Brazilian Corporations Law, which prevents directors and officers from: (1) undertaking any gratuitous acts using our assets to our detriment; (2) receiving, due to their position, whether directly or indirectly, any benefits from third parties without being so authorized by the Company's bylaws or by shareholders' resolution taken at general meetings; and (3) intervening in any corporate transactions in which his or her interests conflict with those of the Company, or in deliberations among the directors with regards to such matters.

Our related party transactions principally consist of intra-group agreements with members of the Cosan group and of the Shell group. As of the date of this offering memorandum, we do not have any loans or other financing agreements with any of our directors or executive officers. For further information regarding our principal related party transactions please see note 10 to our audited combined consolidated financial statements for the fiscal year ended March 31, 2020 included elsewhere in this offering memorandum. Certain of our key related party transactions or relationships are described below.

### Principal Related Party Transactions

#### *Raízen Argentina Acquisition*

On April 24, 2018, Raízen Combustíveis and its subsidiary Raízen Argentina Holdings S.A.U. entered into an agreement for the acquisition of Raízen Argentina from Shell Overseas Investments B.V. and B.V. Dordtsche Petroleum Maatschappij for the amount of U.S.$916 million, which was subject to post-closing price adjustments, to a total of R$988 million. As of the date of our acquisition of Raízen Argentina, its operations included a petroleum refinery and the distribution of fuel through a network of 665 petrol stations in Argentina (10% of which was owned by Raízen Argentina). The acquisition process was completed on October 1, 2018.

Following the closing of the transaction, Raízen Argentina entered into several agreements with Shell entities, on market terms, including a supply agreement for the import of hydrocarbons and a license to use certain Shell brands in Argentina. See also "Risk Factors—Risks Related to Our Business and Industries in which We Operate—Raízen Argentina continues to depend substantially on Shell and other third parties for the products it sells and for certain intellectual property it uses" and "Risk Factors—Risks Related to Our Business and Industries in which We Operate—We may not be able to successfully integrate the operations of Raízen Argentina and face other risks associated with the acquisition."

#### *Framework Agreement*

The framework agreement was entered into on August 25, 2010 between Cosan, Cosan Distribuidora de Combustíveis S.A., Cosan Limited, Houches Holdings S.A., Shell Brasil Limitada, Shell, Shell Overseas Holdings Limited and Milimétrica Participações S.A. The framework agreement regulates certain matters related to the incorporation of the Raízen joint venture, provides certain representations and warranties in respect of the assets that were transferred to incorporate the Raízen joint venture, and sets out certain indemnification obligation of the parties.

Pursuant to the framework agreement, we have agreed that we will reimburse our shareholders or will be reimbursed by them, as applicable, for certain amounts received or paid in connection with legal proceedings, provided that the triggering events for such payments or receipts occurred before the formation of the Raízen joint venture on April 1, 2011 and provided that any such sums have actually been paid or received.

The table below sets forth a summary of our balances with related parties pursuant to the framework agreement:

| | As of March 31, | |
|---|---|---|
| | 2020(a) | 2020 |
| | (in U.S.$) | (in R$) |
| | (in millions) | |
| **Assets:** | | |
| Shell Brazil Holding B.V. | 172.2 | 895.1 |
| Cosan S.A. | 122.6 | 637.5 |
| Shell Brasil Petróleo Ltda. | 12.2 | 63.6 |
| Others | 2.1 | 11.0 |
| **Total Assets** | **309.1** | **1,607.2** |
| | | |
| **Liabilities:** | | |
| Cosan S.A. | 102.0 | 530.5 |
| Shell Brasil Petróleo Ltda. | 26.4 | 137.3 |
| Shell Brazil Holding B.V. | 11.3 | 58.9 |
| Others | 2.6 | 13.7 |
| **Total Liabilities** | **142.3** | **740.4** |

(a) Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the U.S. dollar selling rate reported by the Central Bank as of March 31, 2020 of R$5.1987 per U.S.$1.00. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

For more information, see notes 11 and 20.ii to our combined consolidated financial statements.

***Committed Back-up Credit Facility Agreement***

On May 10, 2013, Raízen Energia, as borrower, entered into a committed back-up credit facility agreement with Cosan and Shell Finance (Netherlands) B.V., as lenders, in an amount of U.S.$500 million, herein referred to as the Committed Back-up Credit. The Committed Back-up Credit was amended and restated on December 20, 2016, with the amount thereof being increased to U.S.$700 million. This credit facility was amended and restated on May 5, 2020 and bears interest at the LIBOR rate *plus* 1.51% per annum, charges a commitment fee of 0.25% per annum and matures in May 2024 (with an automatic renewal for an additional year). As of March 31, 2020, no disbursements had been made under this credit facility.

The Committed Back-up Credit contains customary covenants (such as compliance with law) and events of default (such as cross-default in principal amount in excess of U.S.$150 million).

## DESCRIPTION OF THE NOTES

In this Description of the Notes, the terms "Issuer" refers to Raizen Fuels Finance S.A., "Raízen Combustíveis" refers to Raízen Combustíveis S.A., "Raízen Energia" refers to Raízen Energia S.A., "Guarantor" refers to each of Raízen Combustíveis and Raízen Energia and any successor obligor on the notes or the relevant guarantee, respectively, and not to any of their Subsidiaries or Affiliates. You can find the definitions of certain terms used in this description under "—Certain Definitions."

The Issuer issued the notes under an indenture dated as of January 20, 2017 by and between, among others, the Issuer, Raízen Combustíveis and Raízen Energia and U.S. Bank National Association, as trustee, pursuant to which the issuer initially issued US$500.0 million aggregate principal amount of its 5.300% Notes due 2027, or the initial notes. The new notes will have identical terms and conditions as the initial notes, other than the issue date and issue price, and will constitute part of the same series as, will vote together as a single class with, and be fungible with the initial notes. The new notes and the initial notes will share the same CUSIP and ISIN numbers and be fungible, except that the new notes offered and sold in offshore transactions under Regulation S shall be issued and maintained under temporary ISIN and CUSIP numbers during a 40-day distribution compliance period commencing on the issue date. The terms of the notes include those provided in the indenture, as amended or supplemented.

This description of the notes is intended to be a useful overview of the material provisions of the notes, the guarantees and the indenture. Because this description is only a summary, you should refer to the indenture for a complete description of our obligations and your rights. A copy of the indenture is available as described under "Listing and General Information."

### Basic Terms of Notes and Guarantees

The new notes will constitute part of the same series as, and vote together as a single class with, and be fungible with, the initial notes, and will:

- be unsecured unsubordinated obligations of the Issuer, being equal in right of payment with all existing and future unsecured unsubordinated obligations of the Issuer;
- be subject to certain statutory preferences under applicable law;
- be issued in an original aggregate principal amount of U.S.$500,000,000 in minimum denominations of U.S.$200,000 of original principal amount and integral multiples of U.S.$1,000 above such amount;
- mature on January 20, 2027;
- bear interest commencing the date of issue at 5.300% per annum on the outstanding principal amount, payable semiannually on January 20 and July 20 of each year, commencing on July 20, 2017 for the initial notes and July 20, 2020 for the new notes, to holders of record on the January 18 or July 18 immediately preceding the relevant interest payment date;
- bear interest on overdue principal, and pay interest on overdue interest, at 1% per annum higher than the per annum rate set forth on the cover of this offering memorandum; and
- be redeemable at the option of the Issuer at any time or from time to time prior to their maturity, upon no more than 60 and not less than 30 days' notice to the noteholders. See "—Optional Redemption."

The guarantees will:

- be unsecured unsubordinated obligations of Raízen Combustíveis and Raízen Energia, being equal in right of payment with all existing and future unsecured unsubordinated obligations of Raízen Combustíveis and Raízen Energia.
- be effectively subordinated to any and all existing and future secured debt of Raízen Combustíveis and Raízen Energia, respectively, to the extent of the value of the assets securing such debt;

- be structurally subordinated to all existing and future debt of the Subsidiaries of Raízen Combustíveis and Raízen Energia; and

- be subject to certain statutory preferences under applicable law.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Any payments due on a day that is not a business day in New York City, Luxembourg City and São Paulo shall be due on the immediately succeeding business day.

Purchasers of the new notes will be required to pay accrued interest in an aggregate amount of U.S.$5,531,875.00, or U.S.$5,531.88 per U.S.$1,000 principal amount of the new notes, from (and including) January 20, 2020 to (but excluding) July 7, 2020, plus any additional accrued interest if we deliver the new notes after that date.

As of March 31, 2020, Raízen Combustíveis and Raízen Energia had total indebtedness of R$25,327.4 million (U.S.$4,871.9 million) on an unconsolidated basis. As of March 31, 2020, Raízen Combustíveis and Raízen Energia had (1) R$1,947.1 million (U.S.$374.5 million) of secured indebtedness on an unconsolidated basis to which the notes will be effectively subordinated and (2) R$23,380.3 million (U.S.$4,497.3 million) of unsecured indebtedness on an unconsolidated basis, which will rank equally in right of payment with the notes.

**Additional Notes**

The Issuer may, from time to time and without your consent as a holder of the notes, issue notes under the indenture having the same terms in all respects as the notes except that interest will accrue on the additional notes from their date of issuance, provided, however, that such additional notes will either be (1) fungible with the notes offered hereby for U.S. federal income tax purposes or (2) issued under a separate CUSIP or other identifying number. The notes offered hereby and any additional notes will be treated as a single class for all purposes under the indenture and will vote together as one class on all matters with respect to the notes.

**Payment of Additional Amounts**

All payments by the Issuer in respect of the notes or by a Guarantor in respect of the guarantees will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by or on behalf of Luxembourg, Brazil or any other jurisdiction or political subdivision thereof from or through which a payment is made or in which the Issuer or a Guarantor (or any successor to the Issuer or Guarantor) is organized or is a resident for tax purposes having power to tax (a "Relevant Taxing Jurisdiction"), unless the Issuer or Guarantor, as applicable, is required by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In that event, the Issuer or Guarantor, as applicable, will make the required deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay such additional amounts as may be necessary to ensure that the net amounts received by holders of notes after such withholding or deduction equal the amounts that would have been received in respect of the notes in the absence of such withholding or deduction ("Additional Amounts"). However, no Additional Amounts shall be payable:

- to, or to a third party on behalf of, a holder where the holder or beneficial owner is liable for any present or future taxes, duties, assessments or governmental charges in respect of a note by reason of the existence of any present or former connection between the holder (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of the holder or beneficial owner, if the holder or beneficial owner is an estate, a trust, a partnership, a limited liability company or a corporation) or beneficial owner and the Relevant Taxing Jurisdiction, including, without limitation, the holder or beneficial owner (or the holder's or the beneficial owner's fiduciary, settlor, beneficiary, partner, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged or deemed to be engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere holding of the note or the enforcement of rights and the receipt of payments with respect to the note;

- in respect of any present or future tax, assessment or other governmental charge that would not have been so imposed but for the presentation by the holder of a note, where presentation is required, for payment on

a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

- to, or to a third party on behalf of, a holder where the holder or beneficial owner is liable for any present or future taxes, duties, assessments or other governmental charges in respect of a note by reason of the holder's or beneficial owner's failure to comply with any certification, identification or other reporting requirement concerning nationality, residence, identity or connection with the Relevant Taxing Jurisdiction, if (1) compliance is required by the Relevant Taxing Jurisdiction as a precondition to relief or exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and (2) the Issuer has given at least 30 days' notice that holders or beneficial owners will be required to provide this certification, identification or other requirement;

- in relation with the application of Luxembourg law of 23 December 2005, as amended from time to time, introducing a 20% withholding tax on certain interest payments made for the immediate benefit of individuals resident in Luxembourg;

- in respect of any present or future tax, assessment or other governmental charge imposed on a note presented for payment by or on behalf of a holder where the holder or beneficial owner would have been able to avoid the withholding or deduction by presenting the relevant note to another paying agent;

- in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge;

- in respect of any tax, assessment or other governmental charge that is payable otherwise than by deduction or withholding from payments of principal of or interest on the note or by direct payment by the Issuer or a Guarantor in respect of claims made against the Issuer or a Guarantor;

- in respect of any tax, duty, assessment or other governmental charge imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), as of the date of the indenture (or any amended or successor version), current or future U.S. Treasury Regulations issued thereunder or any official interpretation thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code; or

- in respect of any combination of the above.

In addition, no Additional Amounts shall be paid with respect to any payment on a note to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment on the note would be required by the laws of the Relevant Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in a limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the holder. Except as specifically provided above, neither the Issuer nor any Guarantor shall be required to make any payment with respect to any tax, duty, assessment or governmental charge imposed by any government or political subdivision or taxing authority thereof or therein.

In the event that Additional Amounts actually paid with respect to the notes described above are based on rates of deduction or withholding of taxes in excess of the appropriate rate applicable to the holder of such notes, and, as a result thereof the holder is entitled to make a claim for a refund or credit of the excess from the authority imposing the withholding tax, then the holder shall, by accepting the notes, be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund or credit of such excess to the Issuer or a Guarantor.

Any reference in this offering memorandum, the indenture or the notes to principal, interest or any other amount payable in respect of the notes by the Issuer or the guarantees by a Guarantor will be deemed also to refer to any Additional Amount, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this subsection.

The obligation described above will survive termination or discharge of the indenture, payment of the notes and/or the resignation or removal of the trustee or any agent hereunder.

**Optional Redemption**

The notes will be redeemable at the option of the Issuer at any time or from time to time prior to their maturity, upon not more than 60 and not fewer than 30 days' notice to the noteholders. The Issuer may redeem the notes either as a whole or in part at a redemption price equal to the greater of (i) 100% of the principal amount of the notes being redeemed and (ii) the sum of the present values of each remaining scheduled payment of principal and interest thereon (exclusive of any such interest accrued to the date of redemption) discounted (for purposes of determining present value) to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 45 basis points, plus accrued interest thereon to the date of redemption; provided that notes in an aggregate principal amount equal to at least U.S.$100 million remain outstanding immediately after the occurrence of any partial redemption of notes.

Notes called for redemption will become due on the date fixed for redemption. Notices of redemption will be given at least 30 but not more than 60 days before the date fixed for redemption to each noteholder at its registered address. The notice will state the amount to be redeemed. On and after the date fixed for redemption, interest will cease to accrue on any redeemed notes. If less than all the notes are redeemed at any time, the trustee will select the notes to be redeemed by such method as the trustee deems fair and appropriate (or, in the case of global notes, in accordance with the depositary's applicable procedures).

**Redemption for Taxation Reasons**

If as a result of any change in or amendment to the laws (or any applicable treaties, or any rules or regulations promulgated thereunder) of a Relevant Taxing Jurisdiction, or any amendment to or change in official position regarding the application, interpretation or administration of such laws, treaties, rules, or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the issue date of the notes or, with respect to a successor, after the date a successor assumes the obligations under the notes, (i) the Issuer has or will become obligated to pay Additional Amounts as described above under "—Payment of Additional Amounts" in excess of the Additional Amounts the Issuer would be obligated to pay if payments were subject to withholding or deduction at a rate of 0% or (ii) either Guarantor has or will become obligated to pay Additional Amounts as described above under "—Payment of Additional Amounts" in excess of the Additional Amounts such Guarantor would be obligated to pay if such payments were subject to withholding or deduction at a rate of 15% or, in case the holder of the notes is resident in a tax haven jurisdiction for Brazilian tax purposes (i.e., countries or locations which do not impose any income tax or which impose it at a maximum rate lower than 17% or where local legislation imposes restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of the income attributed to non-residents), at a rate of 25%, or, in either case, at the lower rate specified in an applicable tax treaty between Brazil and the country where the holder of the notes is domiciled, as a result of the taxes, duties, assessments and other governmental charges described above (the rates in (i) and (ii), the "Minimum Withholding Level"), the Issuer may, at its option, redeem all, but not less than all, of the notes, at a redemption price equal to 100% of their principal amount then outstanding, together with interest accrued to the date fixed for redemption, upon delivery of irrevocable notice of redemption to the holders not fewer than 30 days nor more than 90 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would, but for such redemption, be obligated to pay the Additional Amounts above the Minimum Withholding Level. Notwithstanding the foregoing, the Issuer shall not have the right so to redeem the notes unless: (i) it has taken reasonable measures to avoid the obligation to pay Additional Amounts and (ii) it has complied with all necessary regulations to legally effect such redemption; provided, however, that for this purpose reasonable measures shall not include any change in the Issuer's or Guarantor's or any successor's jurisdiction of incorporation or organization or location of its principal executive or registered office.

In the event that the Issuer elects so to redeem the notes, it will deliver to the trustee: (1) a certificate, signed in the name of the Issuer by any two of its executive officers or by its attorney in fact in accordance with its bylaws, stating that the Issuer is entitled to redeem the notes pursuant to the terms of the indenture and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Issuer so to redeem have occurred or been satisfied; and (2) an opinion of counsel to that effect based on the statement of facts.

**Purchase of Notes upon Change of Control Event**

Not later than 30 days following a Change of Control that results in a Rating Decline, the Issuer will make, directly or by a Designated Affiliate, an offer to purchase (an "Offer to Purchase") all outstanding notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon and Additional Amounts, if any, to, but excluding, the purchase date.

An Offer to Purchase must be made by written offer to the holders (a copy of which shall be delivered to the trustee), which will specify the principal amount of notes subject to the offer and the purchase price. The Offer to Purchase must specify an expiration date (the "Expiration Date") not less than 30 days or more than 60 days after the date of the offer and an indicative settlement date for purchase (the "Purchase Date") not more than five business days after the Expiration Date. The offer must include a description of the transaction or transactions that constitute the Change of Control. The Offer to Purchase will also contain instructions and any materials necessary to enable holders to tender notes pursuant to the offer. The Issuer will comply with Rule 14e-1 under the Exchange Act (to the extent applicable) and all other applicable laws in making any Offer to Purchase, and the above procedures will be deemed modified as necessary to permit such compliance.

A holder may tender all or any portion of its notes pursuant to an Offer to Purchase, subject to the requirement that if a holder tenders only a portion of its notes, the remaining notes must be no less than U.S.$200,000 in principal amount and in integral multiples of U.S.$1,000 in excess thereof. Holders shall be entitled to withdraw notes tendered up to the expiration of the offer. On the Purchase Date, the purchase price will become due and payable on each note accepted for purchase pursuant to the Offer to Purchase, and interest on notes purchased will cease to accrue on and after the Purchase Date.

The Issuer will not be required to make an Offer to Purchase upon a Change of Control that results in a Rating Decline if (1) a third party makes the Offer to Purchase in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to an Offer to Purchase made by the Issuer (provided that the consideration in respect of such third party Offer to Purchase is at least equal to the consideration required by an Offer to Purchase made by the Issuer) and purchases all notes properly tendered and not withdrawn under the Offer to Purchase, or (2) a notice of redemption for all outstanding notes has been given pursuant to the indenture unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, an Offer to Purchase may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control and the occurrence of such Rating Decline, if a definitive agreement is in place for the Change of Control at the time the Offer to Purchase is made.

In the event that the holders of not less than 90% of the aggregate principal amount of the outstanding notes accept an Offer to Purchase and the Issuer or a third party purchases all the notes held by such holders, the Issuer will have the right, on not less than 30 nor more than 60 days' prior notice to the holders (with a copy to the trustee), given not more than 30 days following the Purchase Date, to redeem all of the notes that remain outstanding following such purchase at the purchase price equal to that in the Offer to Purchase plus, to the extent not included in the Offer to Purchase payment, accrued and unpaid interest and Additional Amounts, if any, on the notes that remain outstanding, to, but excluding, the date of redemption.

**No Mandatory Redemption or Sinking Fund**

There will be no mandatory redemption or sinking fund payments for the notes.

**Guarantees**

The Guarantors will jointly and severally, and irrevocably guarantee on an unsecured, unconditional and unsubordinated basis to each holder and the trustee the full and prompt payment of principal and premium, if any, and interest on the notes, when and as the same become due and payable, whether at maturity, upon redemption or repurchase, by declaration of acceleration or otherwise, including any Additional Amounts required to be paid on the notes, and all other amounts due and payable by the Issuer under the indenture. The guarantees constitute an unsecured, unconditional and unsubordinated obligation of each Guarantor that will at all times rank at least equally with all other present and future unsecured unsubordinated obligations of each such guarantor, except for any obligations that may be subject to certain statutory preferences under applicable law. The guarantees will also be effectively subordinated to any and all existing and future secured debt of the Guarantors, respectively, to the extent of the value of the assets securing such debt. Any obligation of the Guarantors to make a payment may be satisfied

by causing the Issuer to make such payment. The Guarantors will comply with all necessary Central Bank regulations to legally effect any payments under the guarantees.

**Status**

The notes will be unsecured, unsubordinated obligations of the Issuer, being equal in right of payment with all of its other existing and future unsecured, unsubordinated obligations, subject to certain statutory preferences under applicable law. However, the notes will effectively rank junior to any and all secured debt of the Issuer to the extent of the value of the assets securing that debt. Although the indenture contains certain limits on the ability of the Issuer and the Guarantors to incur secured debt, these limitations are subject to a number of significant exceptions. See "—Certain Covenants—Limitation on Liens." Under Brazilian law, as a general rule, holders of the notes will not have any claim whatsoever against any Subsidiaries of the Issuer or the Subsidiaries of the Guarantors.

**Open Market Purchases**

The Issuer or its Affiliates may at any time purchase the notes in the open market or otherwise at any price; provided that notes that the Issuer or its Affiliates purchase may, in their respective discretion, be held, resold or cancelled, but will only be held or resold in compliance with applicable requirements or exemptions under the relevant securities laws.

**Certain Covenants**

The indenture contains the following limited covenants:

*Limitation on Liens*

Each Guarantor will not, and will not permit any Subsidiary to, directly or indirectly, incur or permit to exist any Lien of any nature whatsoever securing the payment of Debt on any of its Property, whether owned at the Issue Date or thereafter acquired, other than Permitted Liens, without effectively providing that the notes or the guarantees, as applicable, are secured equally and ratably with (or, if the obligation to be secured by the Lien is subordinated in right of payment to the notes or the guarantees, prior to) the obligations so secured for so long as such obligations are so secured.

*Consolidation, Merger or Sale of Assets*

Each of the Issuer and the Guarantors shall not consolidate with or merge with or into any other Person or sell, convey, transfer or lease, in one transaction or a series of transactions, directly or indirectly, all or substantially all of its Property (determined on the basis of the combined consolidated assets of the Guarantors and their Subsidiaries) to any other Person, unless:

(1) the Person (if not the Issuer or Guarantor) formed by such merger or consolidation or the Person (if not the Issuer or Guarantor) which acquired by sale, conveyance, transfer or lease all or substantially all of the Property of the Issuer or Guarantor (the "Successor Corporation") shall expressly assume by amendment of the indenture the due and punctual payment of the principal of and interest (and Additional Amounts) on all of the notes or the guarantees, as applicable, the performance or observance of every covenant of the Issuer or Guarantor, as applicable and all other obligations of the Issuer or Guarantor, as applicable under the indenture and the notes or the guarantees, as applicable;

(2) immediately after giving effect to such transaction, no Event of Default with respect to any note shall have occurred and be continuing; and

(3) the Issuer or Guarantor, as applicable or the Successor Corporation, as the case may be, shall deliver to the trustee an opinion of counsel to the effect that such consolidation, merger, sale, conveyance, transfer or lease and such amendment to the indenture (if required) comply with these conditions, that such amendment (if required) has been duly authorized, executed and delivered and constitutes valid and binding obligations of the Successor Corporation and that all conditions precedent herein provided or relating to such transaction have been complied with.

Notwithstanding anything to the contrary in the foregoing, the following transactions will not be subject to clause (2) above:

(1) the Issuer or Guarantor may merge with or into or consolidate with the Issuer or a Guarantor, as applicable, or any of their Subsidiaries provided that, if the surviving entity is a Subsidiary of a Guarantor other than the Issuer, such Subsidiary shall become the issuer or a guarantor of the notes, as the case may be; or

(2) the Issuer or Guarantor may sell, convey, transfer or lease, in one transaction or in a series of transactions, directly or indirectly, all or substantially all of its Property (determined on the basis of the combined consolidated assets of the Guarantors and their Subsidiaries) to the Guarantors or any of their respective Subsidiaries, provided that, if the Property is transferred to any Subsidiary of a Guarantor other than the Issuer, such Subsidiary shall become the issuer or a guarantor of the notes, as the case may be.

Notwithstanding anything to the contrary in the foregoing, any merger or consolidation, in which the surviving entity is the Issuer or the Guarantor, or sale, conveyance, transfer or lease to the Issuer or Guarantor will not be subject to any clause above.

Upon any consolidation, merger, sale, conveyance, transfer or lease in accordance with these conditions, the Successor Corporation shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer and Guarantor, as applicable under the notes or the guarantees, with the same effect as if the Successor Corporation had been named as the issuer or the guarantor of the notes herein. No Successor Corporation shall have the right to redeem the notes unless the Issuer would have been entitled to redeem the notes in similar circumstances.

**Reports**

The Guarantors will furnish to the trustee (and will also provide the trustee with sufficient copies of the following reports referred to in (1) and (2) below for distribution, at its expense, to all holders of notes):

(1) as soon as available and in any event no later than 120 days after the last day of the fiscal year of the Guarantors, annual audited combined consolidated financial statements in English of the Guarantors, in each case as at and for the fiscal year then ended, prepared in accordance with IFRS, as issued by the International Accounting Standards Board, or IASB together with the audit report thereon; and

(2) as soon as available and in any event within 60 days after the end of the first three fiscal quarters of each fiscal year, quarterly unaudited combined consolidated financial statements in English of the Guarantors prepared in accordance with IFRS, as issued by the International Accounting Standards Board, or IASB, accompanied by a "limited review" (*revisão limitada*) report thereon.

Delivery of these reports, information and documents to the trustee is for informational purposes only and the trustee's receipt of any of those will not constitute constructive notice of any information contained in them or determinable from information contained in them, including our compliance with any of covenants under the indenture (as to which the trustee is entitled to rely exclusively on officer's certificates).

Notwithstanding the forgoing, if the Guarantors make available the information described above on its website or the website of a Subsidiary of the Guarantors, it will be deemed to have satisfied the reporting requirement set forth above. It is understood that the trustee shall have no responsibility to determine whether any information has been posted on such website.

The Issuer will deliver to the trustee:

(1) within 120 days after the end of the fiscal year, an officer's certificate stating whether, to the best of his or her knowledge, a Default exists on the date of such certificate and, if a Default exists, setting forth details thereof and the action which the Issuer or Guarantor, as applicable, is taking with respect thereto; and

(2) promptly upon becoming aware of the occurrence of a Default, an officer's certificate setting forth the details of the Default, and the action which the Issuer or Guarantor, as applicable, is taking with respect thereto.

**Additional Information**

For so long as any notes remain outstanding, the Issuer will make available to any noteholder or beneficial owner of an interest in the notes, or to any prospective purchasers designated by such noteholder or beneficial owner, upon request of such noteholder or beneficial owner, information required to be delivered under paragraph (d)(4) of Rule 144A unless, at the time of such request, the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

**Substitution of the Issuer of the Notes**

Without the consent of any holder of notes, the Issuer may be replaced and substituted, as principal debtor in respect of the notes, by (x) either Guarantor or (y) any Subsidiary of a Guarantor (in each case, in that capacity, the "Substituted Issuer"); provided that the following conditions are satisfied:

(1) such documents will be executed by the Substituted Issuer, the Issuer, the Guarantors and the trustee as may be necessary to give full effect to the substitution, including a supplemental indenture under which the Substituted Issuer assumes all of the obligations of the Issuer under the indenture and notes and, unless a Guarantor is the Substituted Issuer or the Guarantor's then-existing guarantee remains in full force and effect, a substitute guarantee issued by the Guarantor in respect of the notes (collectively, the "Substitution Documents");

(2) if the Substituted Issuer is organized in a jurisdiction other than Luxembourg, the Substitution Documents will contain covenants (i) to ensure that each holder of notes has the benefit of a covenant in terms corresponding to the obligations of the Issuer, in respect of the payment of Additional Amounts (but replacing references to Luxembourg with references to the jurisdiction of organization of the Substituted Issuer) and (ii) to indemnify each holder and beneficial owner of notes against all taxes or duties that (a) arise by reason of a law or regulation in effect or contemplated on the effective date of the substitution that are incurred or levied against such holder or beneficial owner of notes as a result of the substitution and that would not have been so incurred or levied had the substitution not been made, and (b) are imposed on such holder or beneficial owner of notes by any political subdivision or taxing authority of any country in which such holder or beneficial owner of the notes resides or is subject to any such tax or duty and that would not have been so imposed had the substitution not been made;

(3) the Issuer will deliver, or cause the delivery, to the trustee opinions from internationally recognized counsel in the jurisdiction of organization of the Substituted Issuer and the State of New York to the effect that the Substitution Documents constitute valid and binding obligations of the Substituted Issuer, as well as an officer's certificate as to compliance with the provisions described under this section;

(4) the Substituted Issuer will appoint a process agent in the Borough of Manhattan in The City of New York to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with notes, the indenture and the Substitution Documents;

(5) no Event of Default under the indenture has occurred or is continuing; and

(6) the substitution will comply with all applicable requirements under the laws of the jurisdiction of organization of the Substituted Issuer and Luxembourg.

Upon the execution of the Substitution Documents, any substitute guarantee and compliance with the other conditions in the indenture relating to the substitution, (i) the Substituted Issuer will be deemed to be named in the notes as the principal debtor in place of the Issuer and (ii) the Issuer (or any previous substitute) will be released from all of its obligations under the notes and the indenture and any reference in this "Description of the Notes" to the Issuer shall from then on be deemed to refer to the Substituted Issuer and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substituted Issuer.

Not later than 10 business days after the execution of the Substitution Documents, the Substituted Issuer will give written notice thereof to the holders of notes.

The substitution of another principal debtor in place of the Issuer may be treated for U.S. federal income tax purposes as an exchange of the notes for new notes, resulting in recognition of taxable gain or loss for these purposes and possible other adverse tax consequences. Beneficial owners should consult their tax advisers regarding the U.S. federal, state and local tax consequences of a substitution. Notwithstanding anything to the contrary, this covenant is not applicable to the extent the Issuer complies with the covenant described under the caption "— Consolidation, Merger or Sale of Assets."

**Events of Default**

The occurrence of one or more of the following events shall constitute an "Event of Default" with respect to the notes:

(1) the Issuer fails to pay any principal of, or any interest or any Additional Amounts due on, any note, and, in the case of interest or Additional Amounts, such default continues for a period of 30 business days;

(2) the Issuer or a Guarantor fails to perform or observe any other covenant or obligation in the notes or in the indenture and such default continues for a period of more than 60 consecutive days after written notice to the Issuer and/or Guarantor, as the case may be, by the Trustee, or to the Issuer or Guarantor and the Trustee by the holders of 25% or more in aggregate principal amount of the notes;

(3) the Issuer, a Guarantor or any of their respective Significant Subsidiaries defaults (A) in the payment when due (subject to any applicable grace period) after a grace period of 5 business days, whether by acceleration or otherwise, of any Debt in an aggregate principal amount of U.S.$150,000,000 or more (or its equivalent in any other currency or currencies) (the "Threshold Amount"), whether such Debt now exists or shall hereafter be created; or (B) default shall occur in the performance or observance of any other terms and conditions relating to any such Debt in an aggregate amount in excess of the Threshold Amount if the effect of such default is to cause such Debt to become due prior to its Stated Maturity;

(4) the Issuer, a Guarantor or any of their respective Significant Subsidiaries shall: (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, examiner, administrator, liquidator or similar Person of itself or of all or any substantial part of its Property; (ii) make a general assignment for the benefit of its creditors; (iii) file a petition seeking bankruptcy, insolvency, reorganization in an insolvency or comparable context, *recuperação judicial*, *recuperação extrajudicial*, liquidation, *falência*, dissolution or winding up; or (iv) take any corporate action for the purpose of effecting any of the foregoing;

(5) an involuntary proceeding or case shall be commenced against the Issuer, a Guarantor or any of their respective Significant Subsidiaries without its application or consent, seeking: (i) its reorganization, liquidation, dissolution or winding up; (ii) the appointment of a receiver, custodian, trustee, examiner, administrator, liquidator or similar Person of it or of all or any substantial part of its Property; or (iii) similar relief in respect of it under any applicable law relating to bankruptcy, insolvency, reorganization, recuperação judicial, recuperação extrajudicial, liquidation, falência, dissolution or winding up, and such proceeding or case shall continue undismissed and unstayed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of sixty (60) or more consecutive days;

(6) any of the indenture or the notes or the guarantees for any reason cease to be in full force and effect in accordance with its terms or the Issuer or Guarantor shall contest the binding effect or enforceability thereof or shall deny that it has any further liability or obligation thereunder or in respect thereof;

(7) a final non-appealable judgment(s) for the payment of money in an amount equal or in excess of U.S.$150,000,000 (or its equivalent in another currency) shall have been entered by a court or courts of competent jurisdiction against the Issuer or the Guarantor and remain unpaid or undischarged for a period (during which execution shall not be effectively stayed) of 60 consecutive days unless Shell Brazil Holdings BV and/or Cosan S/A Indústria e Comércio or any Affiliate thereof has contractually and irrevocably undertaken to indemnify the Issuer or the Guarantor, as applicable, for any potential loss or claim arising therefrom and enforcement proceedings are not being executed against any Property of the Issuer or any Guarantor;

(8) it is or becomes unlawful for the Issuer or Guarantor to perform or comply with any one or more of its payment obligations under the indenture or the notes or the guarantees.

The trustee shall not be deemed to have notice of any Default or Event of Default (other than a payment default) unless a written notice of default is received by a Responsible Officer of the trustee at the Corporate Trust Office of the trustee, and such notice references the notes and the indenture.

**Consequences of an Event of Default**

If an Event of Default, except for a bankruptcy default with respect to the Issuer or Guarantor, occurs and is continuing under the indenture, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding, by written notice to the Issuer (and to the trustee if the notice is given by the holders), may, and the trustee at the request of such holders shall, declare the unpaid principal of and accrued interest on the notes and any other amounts due and payable by the Issuer under the indenture to be immediately due and payable. Upon a declaration of acceleration, such principal, interest and other amounts will become immediately due and payable. If a bankruptcy default occurs with respect to the Issuer or Guarantor , the unpaid principal of and accrued interest on the notes then outstanding and any other amounts due and payable by the Issuer under the indenture will become immediately due and payable without any declaration or other act on the part of the trustee or any holder.

The holders of a majority in principal amount of the outstanding notes by written notice to the Issuer or a Guarantor and to the trustee may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, except for the nonpayment of the principal of, premium, if any, and interest on the notes that have become due solely by the declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Except as otherwise provided in "—Consequences of an Event of Default" or "—Amendments and Waivers—Amendments with Consent of Holders," the holders of a majority in principal amount of the outstanding notes may, by written notice to the trustee and to the Issuer or Guarantor, waive an existing Default and its consequences. Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

The holders of a majority in aggregate principal amount of the outstanding notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee. However, the trustee may refuse to follow any direction that conflicts with law or the indenture, that may involve the trustee in personal liability, or that the trustee determines in good faith may be unduly prejudicial to the rights of holders of notes not joining in the giving of such direction, and may take any other action it deems proper that is not inconsistent with any such direction received from holders of notes.

A holder may not institute any proceeding, judicial or otherwise, with respect to the indenture or the notes, or for the appointment of a receiver or trustee, or for any other remedy under the indenture or the notes, unless:

(1) the holder has previously given to the trustee written notice of a continuing Event of Default;

(2) holders of at least 25% in aggregate principal amount of outstanding notes have made written request to the trustee to institute proceedings in respect of the Event of Default in its own name as trustee under the indenture;

(3) holders have offered to the trustee indemnity reasonably satisfactory to the trustee against any costs, liabilities or expenses to be incurred in compliance with such request;

(4) the trustee within 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) the holders of a majority in aggregate principal amount of the outstanding notes have not given the trustee a direction that is inconsistent with such written request.

Notwithstanding anything to the contrary, the contractual right of a holder of a note to receive payment of principal of or interest on its note on or after the Stated Maturity thereof, or to bring suit for the enforcement of any such payment on or after such dates, in each case as expressly set forth in the indenture, may not be amended without the consent of that holder.

If any Default or Event of Default occurs and is continuing and written notice thereof is delivered to a responsible officer of the trustee, the trustee will send notice of the Default or Event of Default to each holder within 60 days after it occurs, unless the Default or Event of Default has been cured; provided that, except in the case of a default in the payment of the principal of or interest on any note, the trustee may withhold the notice if and so long as the board of directors, the executive committee or a trust committee of directors of the trustee in good faith determine that withholding the notice is in the interest of the holders.

**Amendments and Waivers**

*Amendments Without Consent of Holders*. The Issuer, the guarantors and the trustee may waive, consent, amend or supplement the indenture, the notes or the guarantees without notice to or the consent of any noteholder:

(1) to cure any ambiguity, omission, defect, inconsistency or to correct a manifest error in the indenture, the notes or the guarantees;

(2) to comply with the covenants described under the captions "—Consolidation, Merger or Sale of Assets" and "—Substitution of the Issuer of the Notes";

(3) to evidence and provide for the acceptance of an appointment by a successor trustee;

(4) to provide for uncertificated notes in addition to or in place of certificated notes provided that the uncertificated notes are issued in registered form for purposes of Section 163(f) of the Code;

(5) to provide for any additional guarantee of the notes or to secure the notes or to confirm and evidence the release, termination or discharge of any guarantee of or Lien securing the notes when such release, termination or discharge is permitted by the indenture;

(6) to provide for or confirm the issuance of additional notes as described in "—Additional Notes";

(7) to add to the covenants of the Issuer or Guarantor for the benefit of the holders of the notes;

(8) to make any other change that does not materially and adversely affect the rights of any holder; or

(9) to conform any provision of the indenture to the "Description of the Notes."

*Amendments With Consent of Holders*. (a) Except as otherwise provided in "—Events of Default" or paragraph (b) below, the Issuer, the guarantors and the trustee may amend the indenture, the notes and the guarantees with the written consent of the holders of a majority in aggregate principal amount of the outstanding notes and the holders of a majority in aggregate principal amount of the outstanding notes may waive future compliance by the Issuer with any provision of the indenture, the notes or the guarantees.

(b) Notwithstanding the provisions of paragraph (a), without the consent of each holder affected, an amendment or waiver may not:

(1) reduce the principal amount of or change the Stated Maturity of any payment of principal or any installment of interest on any note;

(2) reduce the rate of interest or change the method of computing the amount of interest payable on any note;

(3) reduce the amount payable upon the redemption of any note or change the time of any mandatory redemption or, in respect of an optional redemption, the times at which any note may be redeemed or, once notice of redemption has been given, the time at which it must thereupon be redeemed provided, however, the minimum notice period for such redemption (but not the times of redemption) may be changed with the written consent of the holders of a majority in principal amount of the outstanding notes;

(4) make any note payable in currency other than that stated in the note;

(5) impair the contractual right of any holder of notes to receive any principal payment or interest payment on such holder's notes, on or after the Stated Maturity thereof, or to institute suit for the enforcement of any such payment;

(6) make any change in the percentage of the principal amount of the notes required for amendments or waivers; or

(7) modify or change any provision of the indenture affecting the ranking of the notes in a manner adverse to the holders of the notes (it being understood that changes in provisions affecting the ability to create Liens over the assets of the Issuer shall not affect the "ranking" of the notes as that term is used in this subsection).

It is not necessary for noteholders to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof. After any amendment described herein becomes effective, the Issuer will send to the holders of notes a notice in accordance with the procedure set forth in the indenture briefly describing the amendment. However, the failure to give notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment.

**No personal liability of directors, officers, employees and shareholders**

No past, present or future director, officer, employee, incorporator, or shareholder of the Issuer or the Guarantors, as such, will have any liability for any obligations of the Issuer or the Guarantors under the notes, the guarantee or the indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws or under Brazilian corporate law. It is the view of the SEC that such a waiver is against public policy.

**Currency indemnity**

U.S. dollars are the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under the notes, the guarantee and the indenture. Any amount received or recovered in a currency other than U.S. dollars in respect of the notes, the guarantees or the indenture (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, the Guarantors, any of their respective Significant Subsidiaries or otherwise) by the trustee or any holder in respect of any sum expressed to be due to it from the Issuer will constitute a discharge of the Issuer or the Guarantors only to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any note, the Issuer and the Guarantors, jointly and severally, will indemnify the recipient against the cost of making any such purchase; and if the amount of U.S. dollars so purchased is greater than the sum originally due to such recipient, such recipient, if a holder, will, by accepting a note, and, if the trustee, by executing the indenture, be deemed to have agreed to repay such excess. For purposes of this indemnity, it will be sufficient for the recipient to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had the actual purchase of U.S. dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above).

The above indemnity, to the extent permitted by law:

(1) constitutes a separate and independent obligation from the other obligations of the Issuer and the Guarantors;

(2) will give rise to a separate and independent cause of action;

(3) will apply irrespective of any waiver or indulgence granted by the trustee or any holder; and

(4) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note or any other judgment.

**Defeasance and Discharge**

The Issuer may discharge its obligations under the notes and the indenture by irrevocably depositing in trust with the trustee U.S. dollars or U.S. Government Obligations sufficient to pay principal of and interest on the notes to maturity or redemption, subject to meeting certain other conditions set forth in the indenture.

The Issuer may also elect to:

(1) discharge most of its obligations in respect of the notes and the indenture, not including obligations related to the defeasance trust or to the replacement of notes or its obligations to the trustee ("legal defeasance") or

(2) discharge its obligations under most of the covenants ("covenant defeasance") by irrevocably depositing in trust with the trustee U.S. dollars or U.S. Government Obligations sufficient, in the opinion of a nationally recognized independent public accounting firm (which opinion shall be given to the trustee), to pay principal of and interest on the notes to maturity or redemption and by meeting certain other conditions, including delivery to the trustee of either a ruling received from the Internal Revenue Service or an opinion of counsel to the effect that the beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would otherwise have been the case. In the case of legal defeasance, such an opinion could not be given absent a change of law after the date of the indenture. In addition, the Issuer must deliver to the trustee an opinion of counsel in English in each jurisdiction in which the Issuer is conducting business in a manner which causes the holders of the notes to be liable for taxes on payments under the notes for which they would not have been so liable but for such conduct of business in such other jurisdiction, to the effect that holders of the applicable notes will not recognize income, gain or loss in the relevant jurisdiction (as applicable) as a result of such deposit and defeasance and will be subject to taxes in the relevant jurisdiction (including withholding taxes) (as applicable) on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

The defeasance would in each case be effective when 123 days have passed since the date of the deposit in trust.

In the case of either discharge or defeasance, all guarantees will terminate.

**Certain Definitions**

The following sets forth certain of the defined terms used in the indenture. Reference is made to the indenture for full disclosure of all such terms, as well as any other terms used herein for which no definition is provided. Unless otherwise indicated by the context, the following terms will, for purposes of this "Description of the Notes," have the meanings ascribed to them below, whether used in singular or plural form.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" (including the terms "controlling," "controlled by" and "under common control with") as to any Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Applicable GAAP" means, with respect to the Issuer or any Guarantor either (i) generally accepted accounting principles in the jurisdiction where such Issuer or Guarantor is organized or incorporated or (ii) International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations, in each case, as in effect from time to time.

"Capital Stock" means, as to any Person, any and all shares, interests, participations, quotas or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person other than a corporation and any and all warrants or options to purchase any of the foregoing, but excluding any debt securities convertible into any of the foregoing.

"Change of Control" means that any Guarantor ceases to be Controlled either by (a) Royal Dutch Shell PLC and Cosan S/A Indústria e Comércio jointly, or (b) either Royal Dutch Shell PLC or Cosan S/A Indústria e Comércio, individually; provided, however, that it shall not be a "Change of Control" hereunder if (i) Royal Dutch Shell PLC ceases to Control Raízen Combustíveis S.A. so long as Cosan S/A Indústria e Comércio retains (x) at least the same ownership percentage of Voting Stock of Raízen Combustíveis S.A. that it possesses on the date hereof, and (y) Control of Raízen Energia S.A., (ii) Cosan S/A Indústria e Comércio ceases to Control Raízen Energia S.A. so long as Royal Dutch Shell PLC retains (x) at least the same ownership percentage of Voting Stock of Raízen Energia S.A. that it possesses on the date hereof, and (y) Control of Raízen Combustíveis S.A., or (iii) in the event of an initial public offering of the Capital Stock of any Guarantor, if, following such initial public offering, either Royal Dutch Shell PLC or Cosan S/A Indústria e Comércio, jointly or individually, retain the power, directly or indirectly, to direct or cause the direction of the management and policies of such Guarantor. For purposes of this definition "Control," with respect to any Guarantor, means the possession, directly or indirectly, beneficially and of record, of at least a majority of the outstanding shares of Voting Stock of such Guarantor or the power, directly or indirectly, to direct or cause the direction of the management and policies of such Guarantor.

"Central Bank" means the Central Bank of Brazil (*Banco Central do Brasil*).

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such notes.

"Comparable Treasury Price" means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Consolidated Net Worth" means the aggregate combined consolidated stockholders' equity of the Guarantors determined on a consolidated basis in accordance with Applicable GAAP.

"Debt" means, with respect to any Person, without duplication:

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by notes, bonds, debentures or other similar documents;

(3) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit, financial guaranty insurance policies or similar extensions of credit (excluding trade payables);

(4) all obligations of such Person under Hedging Agreements; and

(5) all Debt of other Persons referred to in clauses (1) through (4) above that is Guaranteed by such Person.

The principal amount of any Debt or other obligation that is denominated in any currency other than United States dollars (after giving effect to any Hedging Agreement in respect thereof) shall be the amount thereof, as determined pursuant to the foregoing sentence, converted into United States dollars at the Spot Rate in effect on the date of determination.

"Default" means an event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would become an Event of Default.

"Designated Affiliate" means, at any time, one or more Persons (including, without limitation, a Guarantor) designated by the Issuer to be the purchaser of notes under an Offer to Purchase.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Guarantee" means any obligation of a Person to pay the Debt of another Person, including without limitation:

(1) an obligation to pay or purchase such Debt;

(2) an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Debt; or

(3) any other agreement to be responsible for such Debt.

"Hedging Agreement" means, with respect to any Person, all net obligations of such Person in respect of any interest rate protection agreement, any currency or commodity swap, cap or collar agreement, any equity swap or any similar arrangement entered into by such Person providing for the transfer or mitigation of interest rate, currency, commodity price or equity risks either generally or under specific contingencies (but without regard to any notional principal amount relating thereto).

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by us.

"Investment Grade" means BBB- or higher by Standard & Poor's, Baa3 or higher by Moody's or BBB- or higher by Fitch, or the equivalent of such global ratings by Standard & Poor's, Moody's or Fitch.

"Issue Date" means the date on which the notes are originally issued under the indenture.

"Lien" means any mortgage, pledge, usufruct, fiduciary transfer (*alienação* or *cessão fiduciária*), charge or other encumbrance, lien, security interest or any preferential arrangement (including a securitization) that has the practical effect of creating a security interest.

"Permitted Liens" means:

(1) any Liens existing on the Issue Date;

(2) any Lien extending, renewing or replacing (or successive extensions, renewals or replacements of), in whole or in part, any Lien existing on the Issue Date; provided that the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement, except for any increase reflecting premiums, fees and expenses in connection with such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to all or a part of the property which secured the Lien so extended, renewed or replaced;

(3) any Liens created solely for the purpose of securing the payment of all or a part of the purchase price (or the cost of construction or improvement, and any related transaction fees and expenses) of assets or Property (including Capital Stock of any Person) acquired, constructed or improved after the date hereof; provided that (a) the aggregate principal amount of Debt secured by such Liens shall not exceed the purchase price of the assets or property so acquired, constructed or improved, (b) such Liens shall not encumber any assets or property other than the assets or property so acquired, constructed or improved and (c) other than any unimproved real property on which the property so constructed, or the improvement, is located shall attach to such assets or property within 365 days of the construction, acquisition or improvement of such assets or property;

(4) any Liens imposed by applicable law incurred in the ordinary course of business, including carriers', warehousemen's and mechanics' liens, statutory landlord's liens, customary reservations or retentions of title easements, rights-of-way, defects, zoning restrictions and other similar charges or encumbrances in respect of real property and other similar liens and encumbrances arising in the ordinary course of business, in each case that: (i) do not in the aggregate materially detract from the value of the Property subject thereto or materially impair the use thereof in the operations of the business of the Person owning such property or (ii) are being contested in good faith by appropriate proceedings promptly initiated and diligently conducted, which proceedings have the effect of preventing the forfeiture or sale of the Property subject to such liens and/or encumbrances and for which adequate reserves have been made in required in accordance with Applicable GAAP;

(5) any Liens securing taxes, assessments and other governmental charges or levies, in each case the payment of which is not yet due or is being contested in good faith by appropriate proceedings diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by Applicable GAAP shall have been made;

(6) pledges or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance or other similar social security legislation;

(7) encumbrances, security deposits or reserves maintained in the ordinary course of business and required by applicable law;

(8) any Liens (i) granted to secure borrowings directly or indirectly from Banco Nacional de Desenvolvimento Econômico e Social-BNDES, or any other federal, regional or state Brazilian governmental development bank or credit agency (including borrowings from any Brazilian governmental bank with funds provided by Brazilian governmental regional funds (which shall include, without limitation, Financiadora de Estudos e Projetos – FINEP, Fundo de Desenvolvimento do Nordeste – FDNE and Fundo de Desenvolvimento do Centro Oeste – FCO)) or (ii) granted to secure borrowings from any international or multilateral development bank, government-sponsored agency, export- import bank or official export-import credit insurer, export-credit agency or commercial bank acting as co-lender in any of the foregoing;

(9) any Liens in favor of issuers of surety bonds, appeal bonds, bid bonds, tender bonds, letters of credit or similar instruments issued pursuant to the request of and for the account of any of the Issuer or the Guarantors or any of their Subsidiaries in the ordinary course of business (including all bonds required by law, contract or tender rules);

(10) any Liens securing any hedge or swap agreements, so long as such hedge or swap agreements are entered into for bona fide, non-speculative purposes;

(11) any Liens existing on any Property of any Person before that Person's acquisition (in whole or in part) by, merger into or consolidation with any of the Issuer or the Guarantors after the Issue Date; provided that the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation and such Lien does not extend to any other property of the Issuer or the Guarantors;

(12) any Liens on inventory, receivables and related assets of any of the Issuer, the Guarantors or any of their Subsidiaries securing the obligations of the Issuer, such Guarantor or Subsidiary, as applicable, under any lines of credit or working capital or export or import trade finance facility; provided that the aggregate principal amount of Debt incurred that is secured by such receivables that shall fall due in any calendar year shall not exceed (i) with respect to transactions secured by receivables from export sales, 80% of the Issuer and the Guarantors' combined consolidated gross revenues from export sales for the most recently concluded period of four consecutive fiscal quarters, or (ii) with respect to transactions secured by receivables from domestic sales, 80% of the Issuer and the Guarantors' combined consolidated gross revenues from sales in Brazil for the most recently concluded period of four consecutive fiscal quarters; provided that advance transactions will not be deemed transactions secured by receivables, inventory or related assets for purposes of the above calculations;

(13) any judgment Lien not giving rise to an Event of Default;

(14) any interest or title of a lessor under any capitalized lease obligation; provided that such Liens do not extend to any property or assets which is not leased property subject to such capitalized lease obligation;

(15) any Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of a Guarantor or any of its Subsidiaries, including rights of offset and set-off;

(16) any Liens securing the notes and all other monetary obligations under the indenture and the guarantee;

(17) any Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(18) any rights of set-off of any person with respect to any deposit account of the Guarantor or any Subsidiary arising in the ordinary course of business and not constituting a financing transaction; and

(19) other Liens securing obligations in an aggregate amount not exceeding the greater of: (i) U.S.$2.1 billion (or the equivalent thereof at the time of determination) and (ii) 20% of the Total Consolidated Assets.

"Person" means any individual, corporation, company, voluntary association, partnership, limited liability company, joint venture, trust, unincorporated association, governmental authority or other entity of whatever nature.

"Property" of any Person means any property, rights, revenues, or interest therein, of such Person.

"Rating Agency" means each of (1) Standard & Poor's, (2) Moody's and (3) Fitch, or their respective successors.

"Rating Decline" means that at any time within 90 days (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible downgrade by either Rating Agency) after the date of public notice of a Change of Control, or of evidence of the Issuer's or the Guarantors' intention to effect a Change of Control (i) in the event the notes are assigned an Investment Grade rating by at least two of the Rating Agencies prior to such public notice, the rating of the notes by at least two of the Rating Agencies shall be below an Investment Grade rating; or (ii) in the event the notes are rated below an Investment Grade rating by at least two of the Rating Agencies prior to such public notice, the rating of the notes by at least two of the Rating Agencies shall be decreased by one or more categories; provided that any such Rating Decline is in whole or in part in connection with a Change of Control.

"Reference Treasury Dealer" means Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated or its affiliates which are primary United States government securities dealers and three other leading primary United States government securities dealers in New York City reasonably designated by the Issuer; provided, however, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), the Issuer will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30pm New York time on the third business day preceding such redemption date.

"Relevant Date" means, with respect to any payment on a note, whichever is the later of: (i) the date on which such payment first becomes due; and (ii) if the full amount payable has not been received by the trustee on or prior to such due date, the date on which notice is given to the holders that the full amount has been received by the trustee.

"Responsible Officer" means, with respect to the trustee, any officer of the trustee who shall have direct responsibility for the administration of the indenture.

"Significant Subsidiary" means, with respect to any Person, any Subsidiary of such Person which at the time of determination had assets which, as of the date of Person's most recent quarterly combined consolidated balance sheet, constituted at least 10% of the Person' total assets, determined on the basis of the combined consolidated assets of such Person and its Subsidiaries as of such date.

"Spot Rate" means, for any currency, the spot rate at which that currency is offered for sale against United States dollars as published in The Wall Street Journal on the business day immediately preceding the date of determination or, if that rate is not available in that publication, as published in any publicly available source of similar market data.

"Stated Maturity" means (i) with respect to any Debt, the date specified as the fixed date on which the final installment of principal of such Debt is due and payable or (ii) with respect to any scheduled installment of principal of or interest on any Debt, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Debt.

"Subsidiary" means, with respect to any Person, any corporation or other entity that has more than 50% of the Voting Stock in which is owned or controlled, directly or indirectly, by such Person and/or by any Subsidiary of such Person.

"Total Consolidated Assets" means the total amount of combined consolidated assets of the Guarantors prepared in accordance with Applicable GAAP.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"U.S. Government Obligations" means obligations issued or directly and fully guaranteed or insured by the United States of America or by any agent or instrumentality thereof, provided that the full faith and credit of the United States of America is pledged in support thereof.

"Voting Stock" means Capital Stock in such Person having power to vote for the election of directors or similar officials of such Person or otherwise voting with respect to actions of such Person (other than such Capital Stock having such power only by reason of the happening of a contingency).

**Book Entry, Delivery and Form**

The notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A ("Rule 144A notes"). Notes also may be offered and sold in offshore transactions in reliance on Regulation S ("Regulation S notes"). Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "Rule 144A global notes"). Regulation S notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "Regulation S global notes" and, together with the Rule 144A global notes, the "global notes").

The global notes will be deposited upon issuance with the trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the "restricted period"), beneficial interests in the Regulation S global notes may be transferred to a person that takes delivery through a Rule 144A global note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A global notes may not be exchanged for beneficial interests in the Regulation S global notes at any time except in the limited circumstances described below. See "—Exchanges Between Regulation S Notes and Rule 144A Notes."

Except as set forth below, the global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See "—Exchange of Global Notes for Certificated Notes." Except in the limited circumstances described below, owners of beneficial interests in the global notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A notes (including beneficial interests in the Rule 144A global notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Transfer Restrictions." Regulation S notes will also bear the legend as described under "Transfer Restrictions." In addition, transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of the Euroclear System ("Euroclear") and Clearstream Banking S.A. ("Clearstream") (as indirect participants in DTC), which may change from time to time.

**Depositary Procedures**

The following description of the operations and procedures of DTC. Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited purpose trust company created to hold securities for its participating organizations (collectively, the "participants") and to facilitate the clearance and settlement of transactions in those

securities between participants through electronic book entry changes in accounts of its participants. The participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain custodial relationship with a participant, either directly or indirectly (collectively, the "indirect participants"). Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

DTC has also advised us that, pursuant to procedures established by it:

(1) upon deposit of the global notes, DTC will credit the accounts of participants designated by the initial purchasers with portions of the principal amount of the global notes; and

(2) ownership of these interests in the global notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the global notes).

Investors in the global notes who are participants in DTC's system may hold their interests therein directly through DTC. Investors in the global notes who are not participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are participants in such system. All interests in a global note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of a person having beneficial interests in a global note to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests may be affected by the lack of a physical certificate evidencing such interests.

**Except as described below, owners of interests in the global notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or "holders" thereof under the indenture for any purpose.**

Payments in respect of the principal of, and interest and premium and additional interest, if any, on a global note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, the Issuer and the trustee will treat the persons in whose names the notes, including the global notes, are registered as the owners of the notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the trustee, the transfer agent, registrar, the paying agent nor any agent of the Issuer, nor the trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interest in the global notes or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global notes; or

(2) any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised us that its current practice is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the participants and the indirect participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be our responsibility or that of DTC or the trustee. Neither the Issuer nor the trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the notes, and the Issuer and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counter-party in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf of delivering or receiving interests in the relevant global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised us that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account DTC has credited the interests in the global notes and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the notes, DTC reserves the right to exchange the global notes for legended notes in certificated form, and to distribute such notes to its participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A global notes and the Regulation S global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither the Issuer nor the trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

**Exchange of Global Notes for Certificated Notes**

A global note is exchangeable for definitive notes in registered certificated form ("certificated notes") if:

(1) DTC (a) notifies the Issuer that it is unwilling or unable to continue as depositary for the global notes and DTC fails to appoint a successor depositary or (b) has ceased to be a clearing agency registered under the Exchange Act;

(2) the Issuer, at its option, notifies the trustee in writing that it has elected to cause the issuance of the certificated notes; or

(3) there has occurred and is continuing a default or event of default with respect to the notes.

In addition, beneficial interests in a global note may be exchanged for certificated notes upon prior written notice given to the trustee by or on behalf of DTC in accordance with the indenture. In all cases, certificated notes delivered in exchange for any global note or beneficial interests in global notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Transfer Restrictions," unless that legend is not required by applicable law.

**Exchange of Certificated Notes for Global Notes**

Certificated notes may not be exchanged for beneficial interests in any global note unless the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "Transfer Restrictions."

**Exchanges Between Regulation S Notes and Rule l44A Notes**

Beneficial interests in the Regulation S global notes may be exchanged for beneficial interests in the Rule 144A global notes only if:

(1) such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and

(2) the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that the notes are being transferred to a person:

(A) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;

(B) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

(C) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interest in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in the Regulation S global note, whether before or after the expiration of the restricted period, only if the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Transfers involving exchanges of beneficial interests between the Regulation S global notes and the Rule 144A global notes will be effected in DTC by means of an instruction originated by the DTC participant and approved by the trustee through the DTC Deposit/ Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S global note and a corresponding increase in the principal amount of the Rule 144A global note or vice versa, as applicable. Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and will become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other global note for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S global note prior to the expiration of the restricted period.

**Same Day Settlement and Payment**

The indenture will require that payments in respect of the notes represented by the global notes (including principal, interest and Additional Amounts, if any) be made by wire transfer of immediately available funds in such coin or currency of the United States as at the time of payment will be legal tender for the payment of public and private debts, to the accounts specified by holders of the global notes. With respect to notes in certificated form, the Issuer will make all payments by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a check to each holder's registered address.

The notes represented by the global notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will, therefore, be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any certificated notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a global note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement process (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised us that cash received in Euroclear or Clearstream as a result of sales of interest in a global note by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

## TAXATION

*The following discussion summarizes certain Brazilian, Luxembourg and United States federal tax considerations that may be relevant to the, ownership and disposition of the notes. This summary is based on laws and regulations now in effect in Brazil, the United States and the Luxembourg, each of which may change (possibly on a retroactive basis). This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your own tax advisors about the tax consequences of the ownership and disposition of the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.*

### Certain Brazilian Taxation Considerations

The following discussion is a summary of the Brazilian tax considerations relating to the ownership and sale of the notes by an investor resident or domiciled outside of Brazil, or Non-Resident Holder. The discussion is based on the tax laws of Brazil as in effect on the date hereof and is subject to any change in the Brazilian law that may come into effect after such date as well as to the possibility that the effect of such change in the Brazilian law may be retroactive and apply to rights created on or prior to the date hereof. The information set forth below is intended to be a general description only, it does not address all possible tax consequences relating to an investment in the notes, and it is not applicable to all categories of investors, some of which may be subject to special rules. The discussion below does not address any tax consequences under the tax laws of any state or locality of Brazil.

**THE INFORMATION SET FORTH BELOW IS INTENDED TO BE A GENERAL DISCUSSION ONLY AND DOES NOT ADDRESS ALL POSSIBLE TAX CONSEQUENCES RELATING TO THE NOTES. HOLDERS OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE ACQUISITION, SALE, REDEMPTION OR REPAYMENT OF THE NOTES.**

### Interest or principal payments

Generally, a Non-Resident Holder is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposition of assets located in Brazil. Therefore, as the Issuer should not be considered as resident or domiciled in Brazil for tax purposes, any income (including the Accrued Interest, fees, commissions, expenses, and any other income payable by the Issuer in respect of the Notes in favor of Non-Resident Holders) should not be subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with funds held by the Issuer outside of Brazil.

### Gains realized from sale or disposition of the Notes

Capital Gains realized on the sale or disposition of assets located in Brazil by a Non-Resident Holder are subject to taxation in Brazil regardless of whether the acquirer is resident or domiciled in Brazil, according to Section 26 of Law No. 10,833, enacted on December 29, 2003. Based on the fact that the Notes are issued and registered abroad, they should not fall within the definition of assets located in Brazil for purposes of Law No. 10,833. Hence, gains arising from the sale or disposition of the Notes made outside Brazil by a Non-Resident Holder, other than a branch or a subsidiary of a Brazilian resident, to another non-Brazilian resident should not be subject to Brazilian taxes.

However, considering the general and unclear scope of Law No. 10,833 and the absence of judicial guidance in respect thereof, we cannot assure prospective investors that such interpretation of this law will prevail in the courts of Brazil.

If the Notes are deemed to be located in Brazil, gains recognized by a Non-Brazilian Holder from the sale or other disposition of the Notes to either a non-resident or a resident in Brazil may be subject to withholding tax in Brazil at progressive rates, as provided by Law No. 13,259, applicable as from January 1, 2017, that may vary from 15.0% to 22.5% depending on the amount of the gain: (i) 15% for the part of the gain up to R$5.0 million, (ii) 17.5% for the part of the gain that exceeds R$5.0 million but does not exceed R$10.0 million, (iii) 20% for the part of the gain that exceeds R$10.0 million but does not exceed R$30.0 million, and (iv) 22.5% for the part of the gain that exceeds R$30.0 million. In case the Non-Resident Holder making the sale or disposition is located in Favorable Tax Jurisdiction the gains will be subject to a flat 25% rate. See "—Discussion on Favorable Tax Jurisdictions."

Lower rates may be applicable to such gains as provided for in an applicable tax treaty entered into between Brazil and the country where the Non-Brazilian Holder of the payment is resident.

In certain circumstances, if income tax is not paid, the amount of tax charged could be subject to an upward adjustment, as if the amount received by the non-resident holder was net of taxes in Brazil (gross-up).

***Payments made by Brazilian guarantors***

If a Brazilian source is required, as a guarantor, to assume the obligation to pay any amount in connection with the notes to a Non-Resident Holder (including principal, interest or any other amount that may be due and payable in respect of the notes), Brazilian tax authorities could attempt to impose withholding income tax upon such payments.

Should the Brazilian guarantors be obliged to pay interest to a Non-Resident Holder in connection with the notes, withholding income tax at the rate of 15% may apply (or 25%, if the Non-Resident Holder is located in a Favorable Tax Jurisdiction. See "—Discussion on Favorable Tax Jurisdictions and Privileged Tax Regimes"). There is some uncertainty regarding the applicable tax treatment to payments of the principal amount by a Brazilian guarantor to a Non-Resident Holder. However, there are arguments to sustain that payments made under the guarantee should be subject to imposition of the Brazilian income tax according to the nature of the guaranteed payment, in which case only interest and commissions paid by the guarantors should be subject to withholding income tax at the rate of 15% (or 25%, if the Non-Resident Holder is located in a Favorable Tax Jurisdiction. See "—Discussion on Favorable Tax Jurisdictions and Privileged Tax Regimes"). Payments of principal made under the guarantee by Brazilian guarantors to a Non-Resident Holder should not be subject to the imposition of withholding income tax. However, there is no specific legal provision dealing with the imposition of withholding income tax on payments made by Brazilian sources to non-resident beneficiaries under guarantees and there is no uniform decision from the Brazilian courts on this matter, hence, it is not possible to assure that the argument presented above would prevail in court.

Please note that different rates may apply if the tax treaty between the country of residence of the Non-Resident Holder and Brazil sets forth a lower withholding income tax rate.

In addition to withholding income tax, pursuant to Decree No. 6,306, of December 14, 2007, as amended, conversions of foreign currency into Brazilian currency or vice versa are subject to the tax on foreign exchange transactions, or IOF/Exchange, including foreign exchange transactions in connection with payments made by a Brazilian guarantor under the guarantee to Non-Resident Holders. Currently, the IOF/Exchange rate is 0.38% for most foreign exchange transactions.

Despite the above, in any case, the Brazilian government is allowed to reduce the IOF/Exchange rate at any time down to 0% or increase the IOF/Exchange rate at any time up to 25%, but only with respect to future foreign exchange transactions.

IOF also applies to credit transactions in general, which may include the performance of guarantee transactions between a guarantor and a guaranteed party. IOF levied on credit transactions is usually assessed at a daily rate of 0.0041% when the debtor is a legal entity or at a daily rate of 0.0082% when the debtor is an individual, up to a limit of 365 days. Additionally, an IOF surtax of 0.38% is currently applicable to most of the credit transactions, regardless of the term for the transaction maturing.

***Discussion on Favorable Tax Jurisdictions and Privileged Tax Regimes***

Favorable Tax Jurisdiction is defined as a country or location that (i) does not impose taxation on income, (ii) imposes income tax at a maximum rate lower than 20%, or 17% in certain cases as detailed below, or (iii) imposes restrictions on the disclosure of shareholding composition or investment ownership, or the identity of the beneficial owners of earnings that are attributed to non-residents. A list of Favorable Tax Jurisdictions is provided by Article 1 of the Normative Instruction No. 1,037/10.

On June 23, 2008, Law No. 11,727 introduced the concept of Privileged Tax Regimes ("PTRs"), which encompasses tax regimes that (i) do not tax income or tax it at a maximum rate lower than 20% or 17% in certain cases as detailed below; (ii) grant tax benefits to non-resident entity or individuals without the requirement to carry out a substantial economic activity in the country or location, (iii) do not tax or taxes proceeds earned outside of the respective country or location at a maximum rate lower than 20%, or 17% in certain cases as detailed below, or (iv)

do not allow access to information related to shareholding composition, ownership of assets and rights, or economic transactions that are carried out within its territory. Normative Ruling No. 1,037/10, as amended, for its turn, also provided a list of the PTRs.

Subsequently, on November 28, 2014, the Ministry of Finance issued Ordinance No. 488 narrowing the concept of Favorable Tax Jurisdictions and Privileged Tax Regimes to the countries, locations and tax regimes that impose income tax at a maximum rate lower than 17%, provided that the relevant jurisdiction is committed to adopt international standards on tax transparency. Under Brazilian Law, the aforementioned commitment is present if the relevant jurisdiction (1) has entered into (or concluded the negotiation of) an agreement or convention authorizing the exchange of information for tax purposes with Brazil and (2) is committed to the actions discussed in international forums on tax evasion in which Brazil has been participating, such as the Global Forum on Transparency and Exchange of Information.

Although we believe the best interpretation of the current tax legislation should lead to the conclusion that the above mentioned Privileged Tax Regime concept should apply solely for purposes of Brazilian tax rules related to transfer pricing, thin capitalization, and taxation of profits of foreign affiliates and controlled entities, we cannot assure you whether subsequent legislation or interpretations by the Brazilian tax authorities regarding the definition of a Privileged Tax Regime provided by Law No. 11,727 will also apply for purposes of the imposition of Brazilian withholding income tax on payments to a Non-Resident Holder. Currently, the understanding of the Brazilian tax authorities is that the rate of 15% of WHT applies to interest paid to beneficiaries resident in privileged tax regimes. In any case, if Brazilian tax authorities determine that payments made to a Non-Resident Holder under a Privileged Tax Regime are subject to the same rules applicable to payments made to Non-Resident Holders located in a Favorable Tax Jurisdiction, the withholding income tax applicable to such payments could be assessed at a rate up to 25%.

Normative Ruling No. 1,037 is periodically updated to include and exclude countries, locations and tax regimes from the lists of Favorable Tax Jurisdictions and Privileged Tax Regimes. We recommend prospective investors to consult their own tax advisors from time to time to verify any possible tax consequences arising from amendments to Normative Ruling No. 1,037 and Law No. 11,727 in order to check possible changes to the list of countries and jurisdictions considered as Favorable Tax Jurisdictions and Privileged Tax Regimes and their respective tax treatment.

***Other Brazilian Tax Considerations***

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the notes outside Brazil nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed by some Brazilian states on gifts and bequests by a Non-Resident Holder to individuals or entities domiciled or residing within such state.

**The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.**

**Luxembourg Tax Considerations**

***Luxembourg Income Tax Consequences***

The following summary gives a summary of certain important Luxembourg taxation principles that may be or become relevant with respect to the noteholders and is presented by way of guidance only. It is based on laws, regulations and practice currently applicable in the Grand Duchy of Luxembourg at the date of this Offering Memorandum and is subject to changes therein, possibly with retroactive effect.

This summary does not purport to be a complete summary of tax law and practice currently applicable in Luxembourg and does not contain any statement with respect to the tax treatment of an investment in the notes in any other jurisdiction. The Issuer reserves the right to disclose the names of the noteholders, if applicable, or any other relevant information relating to the noteholders, to any tax authority where required by applicable law. If it does so, it shall advise the relevant noteholders unless prevented to do so by law. If the noteholders do not provide this information, the Issuer may be required to levy withholding tax on payments made to said noteholder and/or to close its account.

This summary does not describe all of the Luxembourg tax considerations that may be relevant to the situation of each Holder, particularly if they are subject to special tax rules. Each Holder should consult its tax advisors about the tax consequences of the investment in the Note including the relevance to each Holder's particular situation of the considerations discussed below, as well as of state, local and other tax laws.

This overview assumes that each transaction with respect to the notes is at arm's length.

***Withholding Tax***

Except as provided for by the Luxembourg law of 23 December 2005 (the "Law of 23 December 2005") providing for a domestic withholding tax on certain interest payments to Luxembourg resident individuals, under the existing laws of Luxembourg there is no withholding tax on payments of principal, premium or interest, or on accrued but unpaid interest, in respect of the notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the notes.

According to the Law of 23 December 2005 (as amended), interest payments on the notes paid by a paying agent established in Luxembourg would be subject to a compulsory withholding tax of 20% (the "20% withholding tax") if beneficial owners of such payments are individuals resident in Luxembourg. The 20% withholding tax is levied by the aforementioned paying agent.

In the event that interest is paid to a Luxembourg resident individual by a paying agent established in an EU Member State other than Luxembourg, or an EEA State, the beneficiary may opt for the application of the 20% withholding tax in accordance with the Law of 23 December 2005 (the "20% tax"). The 20% tax is paid and declared by the beneficiary.

The 20% withholding tax and the 20% tax will constitute a full discharge of income tax for Luxembourg resident individuals acting in the context of the management of their private wealth.

***Income Taxation***

*Non-Resident noteholders*

Non-resident noteholders, not having a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the notes or income therefrom are attributable, are not subject to Luxembourg income taxes on income accrued or received, redemption premiums or issue discounts, under the notes nor on capital gains realized on the disposal or redemption of the notes. Non-residents noteholders who have a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the notes or income therefrom are attributable are subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the notes and on any gains realized upon the sale or disposal of the notes.

*Resident noteholders*

*Individuals*

A resident individual acting in the course of the management of a professional or business undertaking must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the notes, in its taxable income for Luxembourg income tax assessment purposes.

A resident holder of notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts, under the notes, except if tax has been levied on such payments in accordance with the Law of December 23, 2005.

A gain realized by an individual holder of notes (not including accrued but unpaid interest), acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than 6 months after the notes were acquired.

*Corporations*

A resident holder of notes (which is not exempt from income taxation) must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the notes, in its taxable income for Luxembourg income tax assessment purposes.

A holder of the notes that is governed by the law of May 11, 2007 on family estate management companies (as amended), or by the law of December 17, 2010 on undertakings for collective investment (amending the law of December 20, 2002), or the law of February 13, 2007 on specialized investment funds (as amended) or by the law of July 23, 2016 on reserved alternative funds not having elected for the regime of investment company in risk capital as referred to in the law of June 15, 2004 on venture capital vehicles (as amended) is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium, nor on gains realized on the sale or disposal, in any form whatsoever, of the notes.

***Net Wealth Taxation***

An individual holder of notes, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg net wealth tax on the notes.

Luxembourg net wealth tax will not be levied on a corporate noteholder unless:

(1) such holder is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions, except if such holder is governed (i) by the law of May 11, 2007 on family estate management companies (as amended), or (ii) by the law of December 17, 2010 on undertakings for collective investment (as amended), or (iii) by the law of February 13, 2007 on specialized investment funds (as amended), or (iv) is a securitization company governed by the law of March 22, 2004 on securitization (as amended), or (v) is a capital company governed by the law of June 15, 2004 on venture capital vehicles (as amended), or (vi) a reserve alternative funds governed by the law of July 23, 2016 on reserved alternative investment funds, (vii) a Luxembourg pension structure subject to the law of July 13, 2005; and

(2) such notes are attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative or a fixed place of business in Luxembourg.

Notwithstanding the provisions above, entities mentioned under sub-paragraphs (iv), (v) and (vii), reserved alternative investment funds having elected for the regime of investment company in risk capital as referred to in the law of 15 June 2004 on venture capital vehicles (as amended), and entities incorporated as a public limited liability company (*société anonyme*), a private limited liability company (*société à responsabilité limitée*), a corporate partnership limited by shares (*société en commandite par actions*) or a cooperative company set up as a public limited liability company (*société coopérative organisée sous forme de société anonyme*) might however be subject to the minimum annual net wealth tax charge applicable as from 1 January 2016. In this respect, a flat annual minimum net wealth tax of EUR4,815 (as from fiscal year 2020) would be due assuming the Luxembourg company's assets, transferable securities and cash deposits exceed (1) 90 per cent of its total balance sheet and (2) EUR350,000 (the "Asset Test"). Alternatively, should the Asset Test not be met, a progressive annual minimum net wealth tax ranging from EUR535 to EUR32,100 depending on the Luxembourg company's total gross assets would be due.

***Other Taxes***

Neither the issuance nor the transfer of notes will give rise to any Luxembourg stamp duty, value-added tax, issuance tax, registration tax, transfer tax or similar taxes or duties, provided that the relevant issue or transfer agreement is not registered in Luxembourg. A fixed or ad valorem registration duty may however apply (1) upon voluntary registration of the notes in Luxembourg (there is in principle no obligation to register debt instruments in Luxembourg), (2) in case the notes are appended to a deed which is mandatorily subject to registration or (3) in case the notes are lodged with a Luxembourg Civil Law notary for his records (*déposé au rang des minutes d'un notaire*).

Where a holder of notes is a resident of Luxembourg for tax purposes at the time of his/her death, the notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of notes if embodied in a Luxembourg deed or registered in Luxembourg.

***Foreign Account Tax Compliance Act***

Legislation commonly referred to as FATCA, aims at reducing tax evasion by US citizens and requires foreign financial institutions outside the U.S., or FFIs, to provide information about financial accounts held, directly or indirectly, by specified U.S. persons to the U.S. Internal Revenue Service (the "IRS") on an annual basis. A 30% withholding tax is imposed on certain U.S.-source income of any FFI that fails to comply with this requirement, or FATCA Withholding.

To implement FATCA in Luxembourg, Luxembourg entered into a so-called Model 1 Intergovernmental Agreement, or IGA, with the U.S., and a memorandum of understanding in respect thereof, on 28 March 2014. The IGA was implemented in Luxembourg domestic law by Law of 24 July 2015, the Luxembourg FATCA Law. Luxembourg FFIs which comply with the requirements of the IGA, will not be subject to FATCA Withholding.

Under the Luxembourg IGA, Luxembourg FFIs are required to perform certain due diligence and monitoring of investors, and to report to the Luxembourg tax authorities on an annual basis information about financial accounts held by (1) specified US investors, (2) certain US controlled entity investors and (c) non-US financial institution investors that do not comply with FATCA. Under the Luxembourg IGA, such information will subsequently be remitted by the Luxembourg tax authorities to the IRS.

It is the intention of the Issuer to comply with the requirements that FATCA and the Luxembourg IGA imposes upon it. However, no assurance can be provided that the Issuer will be able to comply with such requirements and, in the event that it is not able to do so, the Issuer could be exposed to fines which may reduce the amounts available to it to make payments to its noteholders.

Noteholders may be required to provide information to the Issuer to comply with its reporting obligations under the IGA. To ensure the Issuer's compliance with the IGA and the Luxembourg FATCA Law in accordance with the foregoing, the Issuer may:

- request information or documentation, including self-certification forms, a global intermediary identification number, if applicable, or any other valid evidence of a noteholder's FATCA registration with the IRS or a corresponding exemption, in order to ascertain such a noteholder's FATCA status;

- report information concerning a noteholder and his account holding in the Issuer to the Luxembourg tax authorities if such account is deemed a U.S. reportable account under the Luxembourg IGA; and

- report information to the Luxembourg tax authorities concerning payments to account noteholders.

If noteholders do not provide this information, the Issuer may need to provide the financial account information of such noteholder to Luxembourg tax authorities who would forward such information to the IRS. If the IRS did not receive this information, then under U.S. FATCA rules, the Issuer could be required to withhold 30% withholding tax on interest and other payments made to said noteholder and to close its account. Regulations proposed by the U.S. Treasury Department (upon which taxpayers may rely pending finalization) eliminate FATCA withholding on the gross proceeds from a sale or other disposition of notes that can produce U.S. source interest payments. The extent to which the FATCA rules will apply in the case of foreign passthru payments is not clear.

Noteholders should contact their own tax advisers regarding the application of FATCA to their particular circumstances and their investment in the new notes.

***Transposition of the Anti-Tax Avoidance Directive in Luxembourg law***

As part of its anti-tax avoidance package, the EU Commission published a draft Anti-Tax Avoidance Directive on 28 January 2016, which was formally adopted by the EU Council on 12 July 2016 in Council Directive (EU) 2016/1164 (the "ATAD I"). The Council Directive (EU) 2017/952 of 29 May 2017 then amended the ATAD I as regards hybrid mismatches with third countries (the "ATAD II").

In this respect, the Luxembourg law dated 21 December 2018 (the "ATAD I Law") transposed the ATAD I into Luxembourg legislation. The ATAD I Law may have an impact on the tax position and the performance of the Issuer. Amongst the measures contained in the ATAD I Law is an interest deductibility limitation rule. The ATAD I Law provides that "exceeding borrowing costs" in excess of the higher of (a) EUR 3,000,000 or (b) 30% of an entity's adjusted earnings before interest, tax, depreciation and amortization (EBITDA) will not be deductible in the year in which they are incurred but would remain available for carry forward. "Exceeding borrowing costs" is a defined term which relates to the amount by which the tax-deductible borrowing costs exceed "interest revenues and other equivalent taxable revenues".

Furthermore, the Luxembourg law dated 20 December 2019 (the "ATAD II Law") transposed the ATAD II into Luxembourg legislation. With respect to situations of double deductions or deductions without inclusion resulting from hybrid mismatches, the ATAD II Law extends the scope of the ATAD I Law to third countries. The ATAD II requires EU Member States to either deny deduction of payments, expenses or losses or include payments as taxable income, in case of hybrid mismatches. It includes situations involving permanent establishments, reverse hybrids, imported mismatches, hybrid transfers and dual residence. The ATAD II Law applies as of 1 January 2020, except for the provision on reverse hybrid mismatches which will apply as of 1 January 2022. The exact impact of the above mentioned new rules would need to be monitored on a regular basis, notably in the light of any future guidance from the Luxembourg tax authorities.

**Certain U.S. Federal Income Tax Consequences**

The following summary describes certain U.S. federal income tax consequences to U.S. Holders (as defined below) of owning and disposing of the new notes purchased in this offering, and held as capital assets for U.S. federal income tax purposes.

The Issuer has not sought and does not intend to seek any ruling from the Internal Revenue Service, or the IRS, with respect to the statements made and the conclusions reached in the following discussion. There can be no assurance that the IRS will agree with our statements and conclusions or that a court would not sustain any challenge by the IRS in the event of litigation.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your individual circumstances, including alternative minimum tax and Medicare contribution tax consequences, or the consequences to taxpayers subject to special tax accounting rules under Section 451(b) of the Internal Revenue Code of 1986, as amended, or the Code. In addition, it does not address differing tax consequences that may apply to you if you are, for instance:

- a financial institution;
- an insurance company;
- a dealer or trader in securities that uses a mark-to-market method of tax accounting;
- a person holding the new notes as part of a "straddle" or other integrated transaction;
- a person whose functional currency is not the U.S. dollar;
- an entity classified as a partnership for U.S. federal income tax purposes or an investor therein;
- a tax-exempt entity; or
- a U.S. expatriate.

If an entity treated as a partnership for U.S. federal income tax purposes holds notes, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership holding the new notes, you should consult your tax adviser.

This summary is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as in effect as of the date hereof, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described herein. This summary is for general

information only and is not tax advice for any particular U.S. Holder. Additionally, this summary does not address any aspect of state, local or non-U.S. taxation, or any taxes other than income taxes. You should consult your tax adviser concerning the U.S. federal income tax consequences in light of your particular situation, as well as any consequences arising under other U.S. federal tax laws or the laws of any state, local, non-U.S. or other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a new note that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

*Characterization of the New Notes.* To the extent that it is required to take a position for U.S. federal income tax purposes, the Issuer intends to take the position that the new notes constitute debt of the Issuer for U.S. federal income tax purposes. However, no ruling will be obtained from the IRS with respect to the characterization of the new notes, and there can be no assurance that the IRS or a court would agree with this characterization of the new notes. The discussion below assumes that the new notes will be treated as debt of the Issuer for U.S. federal income tax purposes.

*Qualified Reopening.* We expect that the issuance of the new notes will be treated as a "qualified reopening" for U.S. federal income tax purposes of the initial notes, which were issued without original issue discount for U.S. federal income tax purposes. If the issuance of the new notes is so treated, then the new notes will be considered to have the same issue date and issue price as the initial notes and will be fungible with the initial notes for U.S. federal income tax purposes. The remainder of this discussion assumes that the issuance of the new notes is treated as a qualified reopening of the initial notes.

*Potential Contingent Payment Debt Treatment.* In certain circumstances, you may receive payments on the new notes other than on scheduled interest payment dates and at maturity. In the event of a Change of Control that results in a Rating Decline, the Issuer would generally be required to offer to repurchase the new notes at an amount in excess of their principal amount plus accrued and unpaid interest to the date of purchase (see "Description of the Notes—Purchase of Notes upon Change of Control Event"). The obligation to make these payments may implicate the provisions of the Treasury regulations relating to "contingent payment debt instruments." The Issuer intends to take the position, and the remainder of this discussion assumes, that the new notes will not be treated as "contingent payment debt instruments." The Issuer's determination is not, however, binding on the IRS, which could challenge this position. If such a challenge were successful, you might be required to accrue income on the new notes in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of a new note.

*Payments of Stated Interest.* Subject to the discussions below under "Pre-Acquisition Accrued Interest" and "Amortizable Bond Premium," stated interest paid on a new note will be taxable as ordinary interest income at the time it accrues or is received by you, in accordance with your method of accounting for U.S. federal income tax purposes. Interest income with respect to a new note generally will constitute foreign-source income for U.S. federal income tax purposes, which is relevant in calculating your foreign tax credit limitation. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the availability of foreign tax credits in your particular circumstances.

*Pre-Acquisition Accrued Interest.* A portion of the price paid for a new note offered hereby may be allocable to interest that accrued prior to the date the new notes are purchased ("pre-acquisition accrued interest"). On the first interest payment date with respect to the new notes, you may generally treat a portion of the interest received in an amount equal to the pre-acquisition accrued interest as a return of the pre-acquisition accrued interest and not as a payment of interest on the new note. Amounts treated as a return of preacquisition accrued interest on a new note should not be taxable when received. You are encouraged to consult your own tax adviser regarding the tax treatment of pre-acquisition accrued interest. The remainder of this discussion does not consider any basis or other amounts attributable to pre-acquisition accrued interest.

*Amortizable Bond Premium*. If you purchase a new note for an amount that is greater than its stated principal amount, you will be considered to have purchased the new note with amortizable bond premium. You may elect to amortize this bond premium, using a constant-yield method, over the remaining term of the new note. You may generally use the amortizable bond premium allocable to an accrual period to offset interest otherwise required to be included in income with respect to the new note in that accrual period. An election to amortize bond premium applies to all taxable debt obligations you then own or thereafter acquire and may be revoked only with the consent of the IRS. You should consult your own tax adviser before making this election and regarding the calculation and amortization of any bond premium on the new notes (including the effect of any of the contingencies described above on such calculation and amortization).

*Sale or Other Taxable Disposition of the New Notes.* Upon the sale, exchange, retirement or other taxable disposition of a new note, you generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other taxable disposition and your tax basis in the new note. Gain or loss, if any, will generally be U.S.-source income for purposes of computing your foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued but unpaid interest, which is treated as described under "Payments of Stated Interest" above. Your adjusted tax basis in a new note will generally equal the cost of the note, reduced by any bond premium previously amortized with respect to the new note.

Gain or loss, if any, realized on the sale, exchange, retirement or other taxable disposition of a new note generally will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange, retirement or other taxable disposition the new note has been held for more than one year. Long-term capital gain recognized by non-corporate U.S. Holders is subject to reduced rates of taxation. The deductibility of capital losses is subject to limitations.

*Substitution of the Issuer.* The substitution of another principal debtor in place of the Issuer, as described in "Description of the Notes—Substitution of the Issuer of the Notes," may be treated for U.S. federal income tax purposes as an exchange of the new notes for other new notes, resulting in recognition of taxable gain or loss for these purposes and possible other adverse tax consequences. You should consult your tax adviser regarding the U.S. federal tax consequences of a substitution.

*Information Reporting and Backup Withholding.* Payments of interest and proceeds from the sale of a new note that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (1) you are an exempt recipient or (2) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding. The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the IRS. You should consult your tax adviser concerning the application of information reporting and backup withholding rules.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement, dated July 1, 2020 among the Issuer, the Guarantors and BNP Paribas Securities Corp., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, MUFG Securities Americas Inc., Scotia Capital (USA) Inc., Banco Bradesco BBI S.A. and Santander Investment Securities Inc., as the Initial Purchasers, the Issuer has agreed to sell, and the Initial Purchasers have agreed, severally and not jointly, subject to certain conditions, to purchase, the following principal amount of new notes.

| Initial Purchaser | Principal Amount of Notes | |
|---|---|---|
| BNP Paribas Securities Corp. | U.S.$ | 35,526,000 |
| Citigroup Global Markets Inc. | | 35,526,000 |
| J.P. Morgan Securities LLC | | 35,526,000 |
| MUFG Securities Americas Inc. | | 35,526,000 |
| Scotia Capital (USA) Inc. | | 35,526,000 |
| Banco Bradesco BBI S.A. | | 23,685,000 |
| Santander Investment Securities Inc | | 23,685,000 |
| **Total** | **U.S.$** | **225,000,000** |

Bradesco Securities Inc. will act as agent of Banco Bradesco BBI S.A. for sales of the notes in the United States of America. Banco Bradesco BBI S.A. is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States to U.S. persons. Banco Bradesco BBI S.A. and Bradesco Securities Inc. are affiliates of Banco Bradesco S.A.

The purchase agreement provides that the Initial Purchasers are obligated to purchase all of the new notes if any are purchased. The purchase agreement also provides that if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased or the offering may be terminated.

The new notes will initially be offered at the price indicated on the cover page of this offering memorandum. The Issuer and the Guarantors have been advised by the Initial Purchasers that they may allow a further discount on sales to certain dealers. After the initial offering of the new notes, the offering price and other selling terms may from time to time be varied by the Initial Purchasers. The purchase agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the new notes is subject to, among other conditions, the delivery of certain legal opinions of their counsel. The Initial Purchasers may offer and sell the new notes through any of their respective affiliates.

The Issuer and the Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

The Issuer and the Guarantors will agree in the purchase agreement that, for a period of 30 days from the date of this offering memorandum, they will not, without the prior written consent of the Initial Purchasers, offer, sell, or contract to sell or announce the offering of, any similar U.S. dollar-denominated debt securities in the international capital markets issued or guaranteed by the Issuer or the Guarantors (other than the new notes).

The Initial Purchasers are not obligated to make a market in the new notes. Accordingly, the Issuer and the Guarantors cannot assure you as to the liquidity of, or trading markets for, the new notes.

To facilitate the offering of the new notes, the Initial Purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the new notes. Specifically, the Initial Purchasers may over allot in connection with this offering, creating a short position in the new notes for its own account. In addition, to cover overallotments or to stabilize the price of the notes, the Initial Purchasers may bid for, and purchase, new notes on the open market. Finally, the Initial Purchasers may reclaim selling concessions allowed to a dealer for distributing the new notes in this offering, if the Initial Purchasers repurchase previously distributed new notes in transactions to cover short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the new notes above independent market levels. The Initial Purchasers are not required to engage in these activities, and may end any of these activities at any time.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer and/or their affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the Initial Purchasers or their affiliates has a lending relationship with us, certain of those Initial Purchasers or their affiliates routinely hedge, and certain other of those Initial Purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby.

The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In connection with sales of the new notes outside the United States, each Initial Purchaser has agreed that it will not offer, sell or deliver the new notes to, or for the account or benefit of, U.S. persons (1) as a part of its distribution at any time or (2) otherwise prior to 40 days after the later of the commencement of the offering and the closing of the offering, within the United States or to, or for the account or benefit of, U.S. persons, other than in accordance with Rule 144A, and it will send to each dealer to whom it sells new notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the new notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until the expiration of the 40-day restricted period referred to above, an offer or sale of Securities within the United States by a dealer (whether or not it is participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A or pursuant to another exemption from registration under the Securities Act. Resales of the new notes are restricted as described below under “Transfer Restrictions.”

We expect to deliver the new notes against payment thereof on or about July 7, 2020 which will be the third business day following the date of the pricing of the new notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade new notes prior to the delivery of the new notes hereunder will be required, by virtue of the fact that the new notes initially settle in T+3, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the new notes who wish to trade the new notes prior to their date of delivery hereunder should consult their advisors.

**Selling Restrictions**

No action has been taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the new notes offered hereby in any jurisdiction where action for that purpose is required. The new notes offered hereby may not be offered or sold, directly or indirectly, nor may this offering memorandum or any other offering material or advertisements in connection with the offer and sale of the new notes be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of such jurisdiction. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the new notes and the distribution of this offering memorandum. This offering memorandum does not constitute an offer to purchase or a solicitation of an offer to sell any of the new notes offered hereby in any jurisdiction in which such an offer or a solicitation is unlawful.

***Canada***

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

***Prohibition of Sales to EEA and United Kingdom Retail Investors***

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, or (ii) a customer within the meaning of (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation.

***United Kingdom***

Each of the initial purchasers, severally and not jointly, has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by them in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the notes in, from or otherwise involving the United Kingdom.

This offering memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, or (ii) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order, or the Order, (iii) persons falling within Article 49(2) to (d) of the Order (high net worth companies, unincorporated associations etc.), and (iv) other persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons in items (i) to (iv) above together being referred to as "relevant persons"). The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire notes will be engaged in only with, relevant persons. This offering memorandum is only available to relevant persons in the United Kingdom in circumstances where section 21(1) of the FSMA does not apply. In addition, this communication is, in any event only directed at persons who are relevant persons and any person who is not a relevant person must not act or rely on this document or any of its contents. This offering memorandum is not a prospectus that had been approved by the Financial Services Authority or any other United Kingdom regulatory authority for the purposes of Section 85 of the Financial Services and Markets Act 2000.

***Grand Duchy of Luxembourg***

This offering memorandum has not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*), or the CSSF, or a competent authority of another EU Member State for notification to the CSSF, for the purposes of a public offering or sale in Luxembourg. Accordingly, the notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this offering memorandum, the indenture nor any other circular, prospectus, form of application, advertisement or other material related to such offer may be distributed, or otherwise be made available in or from, or published in, Luxembourg except for the sole purpose of the admission of the notes to trading on the Euro MTF and listing on the Official List of the Luxembourg Stock Exchange and except in circumstances which do not constitute an offer of securities to the public requiring the publication of a prospectus in accordance with the Prospectus Regulation or the Luxembourg Act of 16 July 2019 on prospectuses for securities, as amended, or the Prospectus Act, and implementing some provisions of the Prospectus Regulation. Consequently, this offering memorandum and any other offering circular, prospectus, form of application, advertisement or other material may only be distributed to (i) Luxembourg qualified investors as defined in the Prospectus Regulation, (ii) no more than 149 prospective investors, which are not qualified investors and/or (iii) in any other circumstance contemplated by the Prospectus Regulation or the Prospectus Act.

***France***

No offering memorandum (including any amendment, supplement or replacement thereto) has been prepared in connection with this offering of the new notes that has been approved by the *Autorité des Marchés Financiers* or by the competent authority of another state that is a contracting party to the Agreement on the EEA and notified to the *Autorité des Marchés Financiers*; no new notes have been offered or sold and will be offered or sold, directly or indirectly, to the public in France except to permitted investors ("Permitted Investors") consisting of persons licensed to provide the investment service of portfolio management for the account of third-parties, qualified investors (*investisseurs qualifiés*) acting for their own account and/or corporate investors meeting one of the four criteria provided in article D. 341-1 of the French Code *Monétaire et Financier* and belonging to a limited circle of investors (*cercle restreint d'investisseurs*) acting for their own account, with "qualified investors" and "limited circle of investors" having the meaning ascribed to them in Article L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code *Monétaire et Financier*; none of this offering memorandum or any other materials related to the offer or information contained therein relating to the notes has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any notes acquired by any Permitted Investors may be made only as provided by articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Code *Monétaire et Financier* and applicable regulations thereunder.

***Switzerland***

The new notes may not be publicly offered into or in Switzerland and will not be listed on the SIX Swiss Exchange, or the SIX, or on any other stock exchange or regulated trading facility in Switzerland. This offering memorandum has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under Article 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland and therefore do not constitute an issuance prospectus within the meaning of the Swiss Code of Obligations or a listing prospectus within the meaning of the SIX listing rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the new notes may be publicly distributed or otherwise made publicly available in Switzerland.

***Republic of Ireland***

Each Initial Purchaser intends not to offer or sell the new notes or take any other action with respect to the new notes in Ireland otherwise than in conformity with the provisions of (a) Prospectus Regulation (EU) 2017/1129, the European Union (Prospectus) Regulations 2019, the Central Bank (Investment Market Conduct) Rules 2019 and any other Central Bank of Ireland ("Central Bank") rules issued under Section 1363 of the Irish Companies Act 2014 (as amended, the "Irish Companies Act 2014"); (b) the Irish Companies Act 2014; (c) the European Union (Markets in Financial Instruments) Regulations 2017, Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments, Regulation (EU) No 600/2014 of the European Parliament and of

the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 and all implementing measures, delegated acts and guidance in respect thereof, and the provisions of the Investor Compensation Act 1998; (d) the Irish Central Bank Acts 1942—2018 and any codes of conduct, practices and rules made under Section 117(1) of the Central Bank Act 1989 (as amended) or any regulations issued pursuant to Part 8 of the Central Bank (Supervision and Enforcement) Act 2013 (as amended); and (e) the Market Abuse Regulation (EU 596/2014), the Market Abuse Directive on Criminal Sanctions for Market Abuse (Directive 2014/57/EU), the European Union (Market Abuse) Regulations 2016 (as amended) and any rules issued by the Central Bank pursuant thereto or Section 1370 of the Irish Companies Act 2014.

***Italy***

The offering of the new notes has not been registered pursuant to Italian securities legislation and, accordingly, no new notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the new notes be distributed in the Republic of Italy, except:

(1) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "Financial Services Act") and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("Regulation No. 11971"); or

(2) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of the Regulation No. 11971.

Any offer, sale or delivery of the new notes or distribution of copies of this offering memorandum or any other document relating to the new notes in the Republic of Italy under (1) or (2) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the "Banking Act"); and

(ii) in compliance with Article 129 of the Banking Act, as amended, and implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

***Brazil***

The new notes have not been and will not be issued nor publicly placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the new notes has not been nor will be registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the new notes in Brazil is not legal without prior registration under Law No. 6,385/76, as amended (*Lei do Mercado de Capitais*), or the Capital Markets Law, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil. Therefore, each of the Initial Purchasers has, severally and note jointly, represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the notes in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation or an unauthorized distribution of securities in the Brazilian capital markets regulated by Brazilian legislation.

Persons wishing to offer or acquire the notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

***Chile***

Neither the issuer nor the notes are registered in the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Securities and Insurance Commission

(*Superintendencia de Valores y Seguros de Chile*), or SVS, or subject to the control and supervision of the SVS. This offering memorandum and other offering materials relating to the offer of the new notes do not constitute a public offer of, or an invitation to subscribe for or purchase, the new notes in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not "addressed to the public at large or to a certain sector or specific group of the public").

*Ni el emisor ni los valores están inscritos en el Registro de Valores o el Registro de Valores Extranjeros de la Superintendencia de Valores y Seguros de Chile, o SVS, o sujetos al control y la supervisión de la SVS. El presente prospecto y los otros materiales relativos a la oferta de los valores no constituye una oferta pública de, ni una invitación a suscribir o comprar, tales valores en la República de Chile, salvo a compradores individualmente identificados conforme a una oferta privada en los términos del artículo 4 de la Ley de Mercado de Valores (una oferta que no está "dirigida al público en general o a un cierto sector o grupo específico de éste").*

***Peru***

The new notes and the information contained in this offering memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the notes and therefore, the disclosure obligations set forth therein will not be applicable to the issuer or the sellers of the notes before or after their acquisition by prospective investors. The new notes and the information contained in this offering memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian National Supervisory Commission of Companies and Securities (*Comisión Nacional Supervisora de Empresas y Valores*) nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein. The new notes may not be offered or sold in the Republic of Peru except in compliance with the securities law thereof.

***Mexico***

The notes have not been, and will not be, registered with the National Securities Registry maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), or the CNBV, and, therefore the new notes may not be publicly offered or sold nor be the subject of intermediation in Mexico, publicly or otherwise, except that the new notes may be offered in Mexico to institutional and qualified investors pursuant to the private placement exception set forth in Article 8 of the Mexican Securities Market Law.

***Colombia***

The new notes have not been offered or sold, and will not be offered or sold, in Colombia other than in compliance with applicable laws.

***Cayman Islands***

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the new notes.

***Hong Kong***

Each Initial Purchaser has, severally and not jointly, represented and agreed that:

(1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to

the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

***Japan***

The new notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the FIEA) and each Initial Purchaser has represented and agreed that it will not offer or sell any note, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

***Singapore***

Each Initial Purchaser has acknowledged that this offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented, warranted and agreed that it has not offered or sold any new notes or caused the new notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any new notes or cause the new notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the new notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the new notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the new notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

***United Arab Emirates***

The new notes may not be, have not been and are not being sold, subscribed for, transferred or delivered in the UAE other than in compliance with the laws of the UAE governing the sale, subscription for, transfer and delivery of securities.

***Dubai International Financial Centre***

The new notes may not be, are not and will not be sold, subscribed for, transferred or delivered, directly or indirectly, to any person in the Dubai International Financial Centre who is not a client within the meaning of the Conduct of Business Module of the Rules of the Dubai Financial Services Authority or a qualified investor within the meaning of the Offered Securities Rules of the Dubai Financial Services Authority.

## TRANSFER RESTRICTIONS

The new notes (including the guarantees, if any) have not been registered under the Securities Act or any other U.S. securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable U.S. securities laws. Accordingly, the new notes (including the guarantees, if any) are being offered and sold only:

(1) to qualified institutional buyers in compliance with Rule 144A under the Securities Act; or

(2) outside the United States to persons other than U.S. persons, in an offshore transaction in compliance with Regulation S under the Securities Act.

The terms "United States," "U.S. persons," and "offshore transaction" used in this section have the meanings given to them under Regulation S. The term "qualified institutional buyer" used in this section has the meaning given to it under Rule 144A.

Each purchaser of the new notes offered, or the Restricted Notes, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) The purchaser is either:

(A) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A and such qualified institutional buyer is acquiring such notes for its own account or for the account of another qualified institutional buyer; or

(B) not a U.S. person (as defined in Regulation S under the Securities Act), and is purchasing the new notes in accordance with Regulation S under the Securities Act. The purchaser acknowledges that the seller may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or other exemptions under the Securities Act.

(2) The purchaser understands that the new notes and the guarantees are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the new notes have not been registered under the Securities Act or any U.S. securities laws and that (A) the new notes (including the guarantees) may be reoffered, resold, pledged or otherwise transferred only (1) (a) to a person who the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (b) outside the United States to a person that is not a U.S. person (as defined in Regulation S under the Securities Act) in an offshore transaction meeting the requirements of Regulation S under the Securities Act or (c) pursuant to another available exemption under the Securities Act; (2) to us or any of our combined consolidated subsidiaries or (3) under an effective registration statement and, in each case, in compliance with any applicable securities laws of any State of the United States or any other applicable jurisdiction and (B) the purchaser will, and each subsequent holder is required to, notify any later purchaser from it of the resale restrictions described in (A) above.

(3) The purchaser confirms that (A) it has requisite knowledge and experience in financial and business matters so that it is capable of evaluating the merits and risks of purchasing new notes, and the purchaser and any accounts for which it is acting are each able to bear the economic risks of its or their investment, including a complete loss of the investment, (B) it is not acquiring new notes with a view to any distribution of the notes in a transaction that would violate the Securities Act or the securities laws of any State of the United States or another applicable jurisdiction; provided that the disposition of its property and the property of any accounts for which the purchaser is acting as fiduciary shall remain at all times within its control and (C) it has received a copy of this offering memorandum and acknowledges that the purchaser has had access to the financial and other information, and has been afforded the opportunity to ask questions of our representatives and receive answers to those questions, as it deemed necessary in connection with its decision to purchase new notes.

(4) The purchaser acknowledges that we and the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the foregoing acknowledgments, representations or agreements deemed to have been made by it are no longer accurate, it shall promptly notify the Issuer and the Guarantors of the new notes and the Initial Purchasers. If such purchaser is

acquiring any new notes as a fiduciary or agent for one or more investor accounts, such purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(5) If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it acknowledges that until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S, any offer or sale of the new notes shall not be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(k) of the Securities Act, except to a qualified institutional buyer in compliance with Rule 144A in a transaction meeting the requirements of the indenture.

(6) The purchaser understands that the Restricted Notes will bear a legend substantially to the following effect, or the Restricted Notes Legend:

> THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT, AND THIS NOTE MAY NOT BE REOFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER OR ANY SUBSIDIARY THAT (A) THIS NOTE MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES TO A PERSON THAT IS NOT A U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO ANOTHER AVAILABLE EXEMPTION UNDER THE SECURITIES ACT, (IV) TO THE ISSUER OR ANY SUBSIDIARY OF THE ISSUER OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES; AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE. THIS LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

Each purchaser of the new notes offered in reliance on Regulation S will be deemed to have represented and agreed that it is not a U.S. person and is purchasing such notes in an offshore transaction (as such terms are defined in Regulation S) pursuant to Regulation S and understands that such notes will bear a legend substantially to the following effect, or the Regulation S Legend:

> THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT, AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

Restricted Notes may be exchanged for notes not bearing the Restricted Notes Legend but bearing the Regulation S Legend upon certification by the transferor in the form set forth in the indenture that the transfer of any such Restricted Notes has been made in accordance with Rule 904 under the Securities Act.

## LEGAL MATTERS

The validity of the notes will be passed upon for us and the Issuer by Davis Polk & Wardwell LLP and for the Initial Purchasers by Clifford Chance US LLP. Certain Brazilian legal matters relating to the notes and the guarantees will be passed upon for us and the Issuer by Demarest Advogados and for the Initial Purchasers by Barbosa Müssnich Aragão Advogados. Certain Luxembourg legal matters relating to the notes will be passed upon for the Issuer by NautaDutilh Avocats Luxembourg S.à r.l.

## INDEPENDENT AUDITORS

Our combined consolidated financial statements as of and for the fiscal year ended March 31, 2020 (with the corresponding figures for the fiscal year ended March 31, 2019) included elsewhere in this offering memorandum, have been audited by KPMG Auditores Independentes, or KPMG, independent auditors, as stated in their report appearing herein, which includes an emphasis of matter paragraph that draws attention to notes 1.(e) and 2.1(a) to the combined consolidated financial statements which describes the basis of preparation and presentation of the combined consolidated financial statements. KPMG is a member of the Regional Accounting Council (*Conselho Regional de Contabilidade*) of the state of São Paulo in Brazil.

Our combined consolidated financial statements as of and for the fiscal year ended March 31, 2019 (with the corresponding figures for the fiscal year ended March 31, 2018) included elsewhere in this offering memorandum, have been audited by KPMG, independent auditors, as stated in their report appearing herein, which includes an emphasis of matter paragraph that draws attention to note 2.1(a) to the combined consolidated financial statements which describes the basis of preparation and presentation of the combined consolidated financial statements. KPMG is a member of the Regional Accounting Council (*Conselho Regional de Contabilidade*) of the state of São Paulo in Brazil.

## LISTING AND GENERAL INFORMATION

1. We expect that the new notes will be delivered in book-entry form through DTC, and its direct and indirect participants, including Clearstream and Euroclear, on July 7, 2020. The CUSIP, ISIN and Common Code numbers for the notes set forth below. During the periods subject to certain U.S. selling restrictions, the new notes offered pursuant to Regulation S will carry temporary CUSIP and ISIN numbers and a temporary Common Code:

| | Restricted Global Note | Regulation S Global Note | Temporary Regulation S Global Note (New Notes) |
|---|---|---|---|
| CUSIP | 75102X AA4 | L7909C AA5 | L7909C AB3 |
| ISIN | US75102XAA46 | USL7909CAA55 | USL7909CAB39 |

2. Copies of the latest audited annual financial statements and unaudited quarterly financial information of each of Raízen Energia and Raízen Combustíveis, copies of the Issuer's articles of association, and each of Raízen Energia and Raízen Combustíveis' *estatuto social* (by-laws), as well as the indenture (including forms of notes) and the contracts of the guarantees, will be available (free of charge) at the offices of any paying agent.

3. The initial notes are currently listed on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF. Application will be made to list the new notes offered pursuant to this offering memorandum on the Official List of the Luxembourg Stock Exchange and to have them traded on the Euro MTF.

4. The issuance of the notes in connection with this offer was authorized by (1) the board of directors of the Issuer on June 30, 2020; and (2) the board of directors of Raízen Energia on June 30, 2020, considering that Raízen Energia's bylaws (*estatuto social*) requires such corporate approval for its subsidiaries' debts, which includes the issuance of the new notes by the Issuer.

## ENFORCEABILITY OF CIVIL LIABILITIES

### Enforcement of Judgments in Luxembourg

The Issuer is a company organized and established under the laws of the Grand Duchy of Luxembourg under the form of a public limited liability company (*société anonyme*) and it may be difficult for you to obtain or enforce judgments against it or its directors in the United States.

The Issuer is organized under the laws of the Grand Duchy of Luxembourg. Most of its assets are located outside the United States. Furthermore none of the Issuer's directors resides in the United States. As a result, investors may find it difficult to effect service of process within the United States upon the Issuer or these persons or to enforce outside the United States judgments obtained against the Issuer or these persons in U.S. courts, including judgments in actions predicated upon the civil liability provisions of the U.S. federal securities laws. Likewise, it may also be difficult for an investor to enforce in U.S. courts judgments obtained against us or these persons in courts located in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for an investor to bring an original action in a Luxembourg court predicated upon the civil liability provisions of the U.S. federal securities laws against the Issuer or these persons. It may be possible for investors to effect service of process within Luxembourg upon the Issuer provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

A valid judgment with respect to the notes, obtained against a company organized and established in Luxembourg from a court of competent jurisdiction in the United States, remains in full force and effect after all available appeals in the relevant State or Federal jurisdiction have been taken and may be entered and enforced through a court of competent jurisdiction of Luxembourg in compliance with the enforcement (*exequatur*) procedures set out at Articles 678 et seq. of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*), being:

- the U.S. court has applied the substantive law as designated by the Luxembourg conflict of laws rules;
- the U.S. court has acted in accordance with its own procedural laws;
- the U.S. court order or judgment must not result from an evasion of Luxembourg law (*fraude à la loi*);
- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;
- the judgment is enforceable in the jurisdiction where the decision has been rendered;
- the principles of fair trial and due process have been complied with and in particular the judgment was granted following proceedings where the defendant had the opportunity to appear, was granted the necessary time to prepare its case and, if it appeared, could present a defense; and
- the considerations of the foreign order as well as the judgment do not contravene international public policy as understood under the laws of Luxembourg or has been given in proceedings of a criminal or tax nature.

If an original action is brought in Luxembourg, without prejudice to specific conflict of law rules, a court of competent jurisdiction may refuse to apply the designated law if (i) the choice of such designated law was not made bona fide or (ii) if the designated law was not pleaded and proved or (iii) if pleaded and proved, its application contravenes Luxembourg's international public policy and, if such action is brought on the basis of U.S. Federal or State securities laws, may not have the requisite power to grant the remedies sought.

An exequatur may be refused in respect of punitive damages.

### Insolvency Proceedings in Luxembourg

Luxembourg insolvency proceedings may have a material adverse effect on the Issuer's business and assets and the Issuer's respective obligations under the notes. Under Luxembourg insolvency laws, your ability to receive payment on the notes may be more limited than under United States bankruptcy laws. The following types of

proceedings (altogether referred to as insolvency proceedings) may be opened against an Issuer having its registered office or center of main interests in Luxembourg:

- bankruptcy (*faillite*) proceedings, the opening of which may be requested by the company or by any of its creditors; following such a request, a competent Luxembourg court may open bankruptcy proceedings if the company (1) is unable to pay its debts as they fall due (*cessation des paiements*), and (2) has lost its commercial creditworthiness (*ébranlement de crédit*); if a court finds that these conditions are met without any request, it may also open bankruptcy proceedings on its own motion;

- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the company and not by its creditors;

- a reorganization order requires the prior approval by more than 50% in number of the creditors representing more than 50% of the company's liabilities in order to take effect; and

- voluntary composition with creditors (*concordat préventif de faillite*), upon request only by the company (subject to obtaining the consent of the majority of its unsecured creditors representing at least 75% (seventy-five per cent.) of the company's liabilities) and not by its creditors. The court's decision to admit a company to a composition with participating creditors triggers a provisional stay on enforcement of claims by participating creditors while other creditors may pursue their claims individually.

In addition to these insolvency proceedings, your ability to receive payment on the notes may be affected by a decision of a court to grant a suspension of payments (*sursis de paiement*) or to put the Issuer into judicial liquidation (*liquidation judiciaire*). Judicial winding up proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or seriously breaching the laws governing commercial companies. The management of such winding up proceedings will generally follow the rules of bankruptcy proceedings.

Generally, during the insolvency proceedings, all enforcement measures by general secured and unsecured creditors against the company are stayed, while certain secured creditors (pledgees or mortgagees) retain the ability to settle separately while the debtor is in bankruptcy. Collateral over which a security right has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus of enforcement proceeds is realized). During controlled management proceedings, enforcement measures are suspended until the final reorganization order from the adjudicating court, declarations of default and any subsequent acceleration upon the occurrence of an event of default may not be enforceable and participating secured creditors in composition proceedings are required to abandon their security. Under the Luxembourg Act dated 5 August 2005 concerning financial collateral arrangements, as amended, or the Collateral Act, secured creditors holding qualifying collateral in the form of financial instruments or claims may enforce their security during the insolvency proceedings without court approval outside the general body of creditors and satisfy their claim in order of their priority in the enforcement proceeds.

Liabilities of the Issuer in respect of its notes will, in the event of a liquidation of such Issuer following bankruptcy or judicial winding-up proceedings, rank junior to the cost of such proceedings (including any debt incurred for the purpose of such bankruptcy or judicial winding-up) and those debts of the Issuer that are entitled to priority under Luxembourg law. Preferential rights arising by operation of law under Luxembourg law include:

- certain amounts owed to the Luxembourg revenue authorities;

- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise Agency;

- social security contributions; and

- remuneration owed to employees.

Luxembourg insolvency law may also affect transactions entered into or payments made by the Issuer during the hardening period (*période suspecte*) (which is a maximum of 6 (six) months and 10 (ten) days) preceding the judgment adjudicating the insolvency proceedings, in particular, the granting of a security right for antecedent debt, the payment of debt not due (whether or not payment is made in cash or by way of assignment, sale, set-off or by

any other means) or of debt due by any means other than cash or bill of exchange or the sale of assets without consideration or with substantially inadequate consideration. These transactions must be declared null and void, in all circumstances, at the request of the competent Luxembourg insolvency official (including any *commissaire, juge-commissaire, liquidateur* or *curateur* or similar official). Further, if the insolvency official demonstrates that (1) an adequate payment in relation to a due debt was made during the hardening period to the detriment of the general body of creditors, and/or (2) the party receiving such payment knew that the company had ceased payments when such payment occurred, the insolvency official has the power, among other things, to invalidate such preferential transaction. Notwithstanding the above, a financial collateral arrangement under the Collateral Act entered into after the opening of liquidation proceedings or the entry into force of reorganization measures is valid and binding against third parties or insolvency officials notwithstanding the hardening period if the collateral taker proves that it was unaware of the opening of such proceedings or of the taking of such measures or that it could not reasonably have been aware of them. Generally, if the insolvency official demonstrates that the Issuer has given a preference to any person by defrauding the rights of creditors generally, a competent insolvency official (acting on behalf of the creditors) has the power to challenge such preferential transaction (including the granting of security right with fraudulent intent) without limitation of time.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in an automatic termination of contracts except for personal (*intuitu personae*) contracts, that is, contracts for which the identity of the company or its solvency were crucial. However, the insolvency official may choose to terminate certain onerous contracts. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate. Insolvency proceedings may hence have a material adverse effect on the Issuer's business and assets and the Issuer's respective obligations under the notes (as Issuer).

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to the EU Regulation 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast), or the EU Insolvency Regulation.

**Brazil**

We have been advised by our Brazilian counsel, that a final conclusive judgment of non-Brazilian courts for civil liabilities predicated upon the securities laws of countries other than Brazil, subject to certain requirements described below, may be enforced in Brazil. A judgment against either us our Directors, our Officers or the Issuer obtained outside Brazil would be enforceable in Brazil against us, our Directors, our Officers or the Issuer without reconsideration retrial or re-examination of the merits, upon recognition of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça—STJ*). That recognition, generally, will occur if the foreign judgment:

- fulfills all formalities required for its enforceability under the laws of the jurisdiction in which it was issued;
- does not violate the exclusive jurisdiction of Brazilian courts;
- is rendered by a competent court with jurisdiction over the matter, after proper service of process of the parties (which service must be made in accordance with Brazilian law, if made in Brazil), or after sufficient evidence of the parties' absence has been given, as established pursuant to applicable law;
- is final and conclusive and, therefore, not subject to appeal;
- is not in conflict with a previous final and binding (*res judicata*) judgment on the same matter and involving the same parties issued in Brazil;
- the foreign judgment is either (i) apostilled by a competent authority of the country from which the document emanates according to the Hague Convention of 5 October 1961 Abolishing the Requirement of Legalization for Foreign Public Documents, or the "Apostille Convention," and is accompanied by a sworn translation into Portuguese in Brazil unless an exemption is provided by an international treaty to which Brazil is a signatory, or (ii) authenticated by a competent Brazilian consulate in the country where the foreign judgment is issued, and is accompanied by a sworn translation into Portuguese unless an exemption is provided by an international treaty to which Brazil is a signatory; and

- is not contrary to Brazilian national sovereignty, public policy and good morals or does not violate human dignity.

The recognition process may be time consuming and may also give rise to difficulties in enforcing the foreign judgment in Brazil. Accordingly, we cannot assure you that recognition would be obtained, that the recognition process would be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil.

We have also been advised that civil actions may be brought with Brazilian courts in connection with this offering memorandum based solely on the federal securities laws of the United States and that Brazilian courts may enforce such liabilities in such actions against us (provided that provisions of the federal securities laws of the United States do not contravene Brazilian public policy). Should any suit be brought against the Issuer and the Guarantors in Brazil, certain procedural requirements, court costs and deposits to guarantee judgment may be required, and any plaintiff not resident in Brazil will be required, except for summary collection claims (*execução de título extrajudicial contra devedor solvente*), to make deposits as security for process costs and for opposite party attorney's fees if it does not possess any real property in Brazil, in accordance with Article 83 of the Brazilian Civil Procedure Code (Law No. 13,105, enacted on March 16, 2015, as amended).

If proceedings are brought in the courts of Brazil seeking to enforce our obligations under the notes, we would not be required to discharge our obligations in a currency other than *reais*. Any judgment obtained against the Issuer and the Guarantors in the courts of Brazil, in respect of any sum payable by it under the issuance of the new notes, will be expressed in the Brazilian currency equivalent to the amount payable in the currency designated in the documents related to the new notes, converted at the commercial exchange rate on the date determined by the courts of Brazil.

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# Raízen Group

**Combined consolidated financial statements as of March 31, 2020 and Independent auditors' report**

KPMG Auditores Independentes
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Caixa Postal 79518 - CEP 04707-970 - São Paulo/SP - Brasil
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# Independent auditor's report on the combined consolidated financial statements

To

The Board of Directors and Shareholders of
Raízen Energia S.A. and Raízen Combustíveis S.A.:

**Report on the Combined Consolidated Financial Statements**

We have audited the accompanying combined consolidated financial statements of Raízen Energia S.A. and Raízen Combustíveis S.A. ("Raízen Group"), which comprise the combined consolidated statements of financial position as of March 31, 2020 and 2019, and the related combined consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2020, and the related notes to the combined consolidated financial statements (collectively referred, the combined consolidated financial statements).

*Management's Responsibility for the Combined Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these combined consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these combined consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting

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estimates made by management, as well as evaluating the overall presentation of the combined consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion*

In our opinion, the combined consolidated financial statements referred to above present fairly, in all material respects, the financial position of Raízen Group as of March 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-years period ended March 31, 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

*Emphasis of matter*

We draw your attention to Notes 1 (e) and 2.1 (a) to the combined consolidated financial statements of Raízen Group, which describes the basis of preparation and presentation of these combined consolidated financial statements. These combined consolidated financial statements do not necessarily represent the financial position, financial performance, or related cash flows that would have been obtained if the Raízen Group had operated as a single legal entity during the period. The combined consolidated financial statements were prepared to present the financial position, performance, and cash flows of the entities under common indirect joint control of Cosan Limited and Royal Dutch Shell and, therefore, may not be useful for other purposes. Our opinion is not modified with respect to this matter.

KPMG Auditores Independentes

São Paulo, SP
June 22, 2020

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

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## Raízen Group

**Combined consolidated statement of financial position as of March 31**
**In thousands of reais – R$**

| | Note | 2020 | 2019 |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 3 | 8,601,660 | 5,740,037 |
| Securities | 4 | 39,145 | 268,413 |
| Restricted cash | 5 | 211,070 | 275,715 |
| Derivative financial instruments | 27 | 5,016,307 | 797,405 |
| Trade accounts receivable | 6 | 2,950,341 | 3,360,364 |
| Inventories | 7 | 5,435,170 | 4,051,837 |
| Biological assets | 9 | 897,315 | 813,995 |
| Recoverable income tax and social contribution | 19.b | 778,694 | 1,018,941 |
| Recoverable taxes | 8 | 2,334,998 | 1,831,187 |
| Other financial assets | 10 | 314,273 | 306,457 |
| Related parties | 11 | 787,819 | 962,937 |
| Assets from contracts with clients | 12 | 475,305 | 429,718 |
| Other receivables | | 472,953 | 465,288 |
| Total current assets | | 28,315,050 | 20,322,294 |
| Non-current assets | | | |
| Trade accounts receivable | 6 | 346,996 | 514,544 |
| Derivative financial instruments | 27 | 3,128,089 | 856,901 |
| Other financial assets | 10 | 258,768 | 526,969 |
| Recoverable income tax and social contribution | 19.b | 541,797 | 441,798 |
| Recoverable taxes | 8 | 967,419 | 462,077 |
| Related parties | 11 | 1,264,924 | 1,353,760 |
| Deferred income tax and social contribution | 19.d | 1,279,947 | 507,655 |
| Judicial deposits | 20 | 471,753 | 449,117 |
| Assets from contracts with clients | 12 | 2,091,860 | 2,000,061 |
| Other receivables | | 371,982 | 249,934 |
| Investments | 13 | 1,325,210 | 573,186 |
| Property, plant and equipment | 14 | 17,160,022 | 15,334,465 |
| Intangible assets | 15 | 2,976,155 | 2,968,229 |
| Rights of use | 17 | 5,099,396 | - |
| Total non-current assets | | 37,284,318 | 26,238,696 |
| Total assets | | 65,599,368 | 46,560,990 |

See the accompanying notes to the combined consolidated financial statements.

**Combined consolidated statements of financial position as of March 31**
**In thousands of reais – R$** **(continued)**

| | Note | 2020 | 2019 |
|---|---|---|---|
| Liabilities | | | |
| Current liabilities | | | |
| Suppliers | 16 | 10,227,015 | 8,025,555 |
| Lease liabilities | 17 | 1,174,750 | - |
| Loans and financing | 18 | 5,334,083 | 1,922,661 |
| Related parties | 11 | 1,494,946 | 2,881,826 |
| Derivative financial instruments | 27 | 3,640,357 | 698,742 |
| Payroll and related charges payable | | 627,503 | 543,763 |
| Income tax and social contribution payable | 19.c | 229,094 | 99,582 |
| Taxes payable | | 444,895 | 487,878 |
| Dividends and interest on own capital payable | 22.b | 95,542 | 37,553 |
| Advances from clients | 6 | 239,546 | 96,421 |
| Other liabilities | | 1,844,487 | 812,931 |
| Total current liabilities | | 25,352,218 | 15,606,912 |
| Non-current liabilities | | | |
| Lease liabilities | 17 | 3,236,998 | - |
| Loans and financing | 18 | 19,993,287 | 15,341,640 |
| Related parties | 11 | 1,040,355 | 421,048 |
| Derivative financial instruments | 27 | 108,123 | 43,657 |
| Taxes payable | | 186,649 | 188,798 |
| Provision for legal disputes | 20 | 1,558,883 | 1,477,922 |
| Deferred income tax and social contribution | 19.d | 1,903,225 | 1,570,928 |
| Other liabilities | | 489,527 | 518,081 |
| Total non-current liabilities | | 28,517,047 | 19,562,074 |
| Total liabilities | | 53,869,265 | 35,168,986 |
| Equity | 22 | | |
| Attributed to controlling shareholders | | 11,364,386 | 11,115,876 |
| Interest of non-controlling shareholders | | 365,717 | 276,128 |
| Total equity | | 11,730,103 | 11,392,004 |
| Total liabilities and equity | | 65,599,368 | 46,560,990 |

See the accompanying notes to the combined consolidated financial statements.

## Raízen Group

**Combined consolidated statements of income**
**Years ended March 31**
**In thousands of reais – R$**

| | Note | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Net operating revenue | 23 | 120,580,550 | 103,973,038 | 86,261,206 |
| Costs of products sold and services provided | 24 | (113,308,678) | (98,008,548) | (80,050,279) |
| Gross income | | 7,271,872 | 5,964,490 | 6,210,927 |
| Operating revenue (expenses) | | | | |
| Selling | 24 | (3,090,163) | (2,526,598) | (2,139,156) |
| General and administrative | 24 | (1,236,494) | (1,152,093) | (1,095,238) |
| Other operating revenue, net | 25 | 2,147,313 | 1,251,968 | 622,064 |
| Equity accounting result | 13 | (15,790) | 30,987 | (21,423) |
| | | (2,195,134) | (2,395,736) | (2,633,753) |
| Income before financial results and income tax and social contribution | | 5,076,738 | 3,568,754 | 3,577,174 |
| Financial results | 26 | | | |
| Financial expenses | | (1,973,633) | (1,470,934) | (904,397) |
| Financial income | | 535,978 | 610,293 | 619,106 |
| Net exchange variation | | (4,081,951) | (781,306) | (324,948) |
| Net effect of the derivatives | | 3,904,385 | 850,327 | 187,081 |
| | | (1,615,221) | (791,620) | (423,158) |
| Income before income tax and social contribution | | 3,461,517 | 2,777,134 | 3,154,016 |
| Income tax and social contribution | 19.a | | | |
| Current | | (1,345,792) | (548,245) | (962,957) |
| Deferred | 19.d | 279,992 | 6,226 | 119,925 |
| | | (1,065,800) | (542,019) | (843,032) |
| Net income for the year | | 2,395,717 | 2,235,115 | 2,310,984 |
| Attributable to: | | | | |
| Group's controlling shareholders | | 2,252,517 | 2,176,437 | 2,249,836 |
| Group's non-controlling shareholders | | 143,200 | 58,678 | 61,148 |
| | | 2,395,717 | 2,235,115 | 2,310,984 |

See the accompanying notes to the combined consolidated financial statements.

## Raízen Group

**Combined consolidated statements of comprehensive income**
**Years ended March 31**
**(In thousands of Reais - R$)**

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net income for the year | 2,395,717 | 2,235,115 | 2,310,984 |
| Comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Actuarial gain (loss), net | 2,436 | (1,524) | (528) |
| Deferred taxes on actuarial gain (loss) (Note 19.d.1) | (608) | 511 | 177 |
| | 1,828 | (1,013) | (351) |
| Items that are or may be reclassified to statements of income or loss | | | |
| Income (loss) from financial instruments designated as hedge accounting (Note 27.e) | (687,937) | (420,485) | 60,761 |
| Loss from net investment hedge in foreign entity (Note 11.a.4) | (15,071) | (54,235) | - |
| Deferred taxes on adjustments (Note 19.d.1) | 239,023 | 161,405 | (20,659) |
| Effect of foreign currency translation | 1,000,288 | (102,591) | (3,765) |
| | 536,303 | (415,906) | 36,337 |
| Others components of the comprehensive income (loss) for the year | 538,131 | (416,919) | 35,986 |
| Total comprehensive income (loss) for the year | 2,933,848 | 1,818,196 | 2,346,970 |
| Attributable to: | | | |
| Group's controlling shareholders | 2,790,644 | 1,759,518 | 2,285,822 |
| Group's non-controlling shareholders | 143,204 | 58,678 | 61,148 |
| | 2,933,848 | 1,818,196 | 2,346,970 |

See the accompanying notes to the combined consolidated financial statements.

## Raízen Group

**Combined consolidated statements of changes in equity**
**Years ended March 31**
**In thousands of reais – R$**

| | Attributable to Group's shareholders | Interest of non-controlling shareholders | Total equity (*) |
|---|---|---|---|
| Balances at March 31, 2019 | 11,115,876 | 276,128 | 11,392,004 |
| Comprehensive income (loss) for the year | | | |
| Net income for the year | 2,252,517 | 143,200 | 2,395,717 |
| Actuarial gain, net | 1,824 | 4 | 1,828 |
| Net loss with financial instruments designated as hedge accounting | (454,039) | - | (454,039) |
| Loss from net investment hedge in foreign entity | (9,946) | - | (9,946) |
| Effect of foreign currency translation | 1,000,288 | - | 1,000,288 |
| Total comprehensive income for the year | 2,790,644 | 143,204 | 2,933,848 |
| Contribution (distributions) to Group's shareholders | | | |
| Business combinations (Note 30.i) | - | 4,162 | 4,162 |
| Dividends allocated to holders of preferred shares | (1,460) | - | (1,460) |
| Dividends and interest on own capital ("JCP") | (2,525,497) | (54,304) | (2,579,801) |
| Others | (15,177) | (3,473) | (18,650) |
| Total distributions to Group's shareholders, net | (2,542,134) | (53,615) | (2,595,749) |
| Balances at March 31, 2020 | 11,364,386 | 365,717 | 11,730,103 |

(*) As disclosed in Note 1.e, the combined consolidated companies are not operated as a single legal entity.

See the accompanying notes to the combined consolidated financial statements.

## Raízen Group

**Combined consolidated statements of changes in equity**
**Years ended March 31**
**In thousands of reais – R$** **(continued)**

| | Attributable to Group's shareholders | Interest of non-controlling shareholders | Total equity (*) |
|---|---|---|---|
| Balances at March 31, 2018 | 11,607,394 | 225,730 | 11,833,124 |
| Initial adoption of IFRS 9 | (2,641) | (41) | (2,682) |
| Balances at April 1, 2018 | 11,604,753 | 225,689 | 11,830,442 |
| Comprehensive income (loss) for the year | | | |
| Net income for the year | 2,176,437 | 58,678 | 2,235,115 |
| Actuarial loss, net | (1,013) | - | (1,013) |
| Net loss on financial instruments in net investment in foreign entity | (35,795) | - | (35,795) |
| Net loss with financial instruments designated as hedge accounting | (277,520) | - | (277,520) |
| Effect of foreign currency translation | (102,591) | - | (102,591) |
| Total comprehensive income for the year | 1,759,518 | 58,678 | 1,818,196 |
| Contribution (distributions) to Group's shareholders | | | |
| Capital increase | - | 4,159 | 4,159 |
| Business combinations | - | 30,000 | 30,000 |
| Dividends distributed to holders of preferred shares | (2,995) | - | (2,995) |
| Dividends and interest on own capital | (2,245,400) | (42,398) | (2,287,798) |
| Total distributions to Group's shareholders, net | (2,248,395) | (8,239) | (2,256,634) |
| Balances at March 31, 2019 | 11,115,876 | 276,128 | 11,392,004 |

(*) As disclosed in Note 1.e, the combined consolidated companies are not operated as a single legal entity.

See the accompanying notes to the combined consolidated financial statements.

## Raízen Group

**Combined consolidated statements of changes in equity**
**Years ended March 31**
**In thousands of reais – R$** **(Continued)**

| | Attributable to Group's shareholders | Interest of non-controlling shareholders | Total equity (*) |
|---|---|---|---|
| Balances at March 31, 2017 | 12,160,702 | 205,725 | 12,366,427 |
| Comprehensive income (loss) for the year | | | |
| Net income for the year | 2,249,836 | 61,148 | 2,310,984 |
| Actuarial loss, net | (351) | - | (351) |
| Net gain on financial instruments designated as hedge accounting | 40,102 | - | 40,102 |
| Effect of foreign currency translation | (3,765) | - | (3,765) |
| Total comprehensive income for the year | 2,285,822 | 61,148 | 2,346,970 |
| Contribution (distributions) to Group's shareholders | | | |
| Effect from subsidiary's preferred shares | 2,851 | (2,851) | - |
| Issue/redemption of shares and dividends distributed to holders of preferred shares | (4,166) | - | (4,166) |
| Dividends and interest on own capital | (2,836,836) | (34,575) | (2,871,411) |
| Capital decrease in subsidiary | (1,088) | (3,453) | (4,541) |
| Other | 109 | (264) | (155) |
| Total distributions to Group's shareholders, net | (2,839,130) | (41,143) | (2,880,273) |
| Balances at March 31, 2018 | 11,607,394 | 225,730 | 11,833,124 |

(*) As disclosed in Note 1.e, the combined consolidated companies are not operated as a single legal entity.

See the accompanying notes to the combined consolidated financial statements.

## Raízen Group

### Consolidated combined statements of cash flows – Indirect method
### Years ended March 31
**In thousands of reais – R$**

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Income before income tax and social contribution | 3,461,517 | 2,777,134 | 3,154,016 |
| Adjustments: | | | |
| Depreciation and amortization (Note 24) | 3,951,911 | 2,452,718 | 2,742,288 |
| Amortization of assets from contracts with clients (Notes 12 and 23) | 505,769 | 452,503 | - |
| Change in the fair value and realization of gain or loss of biological assets fair value (Note 24) | (12,881) | 261,159 | 367,432 |
| Equity accounting result (Note 13) | 15,790 | (30,987) | 21,423 |
| Gain on sales of property, plant and equipment (Note 25) | (104,690) | (113,400) | (95,198) |
| Net interest, inflation adjustments and exchange variation | 4,830,837 | 1,277,753 | 883,501 |
| Gain with derivative financial instruments, net | (4,747,159) | (1,298,464) | (565,098) |
| Change in fair value of liabilities financial instruments (Notes 18 and 26) | 229,969 | 213,303 | (19,776) |
| Gain on the formation of joint venture (Note 13.b.i) | (1,078,714) | - | - |
| Change in inventories' fair value - fair value hedge (Note 7 and 27.e) | 234,927 | (20,937) | (16,827) |
| Capital gain on dilution of ownership interest (Note 25) | - | (109,467) | - |
| Gain in bargain purchase (Note 25) | (219,921) | - | - |
| Net recognition of tax credits | (523,342) | (225,313) | (218,699) |
| Credits with claims for damages (Note 10 and 25) | - | (221,373) | - |
| Net reversal (constitution) of estimated loss in investments, property plant and equipment and intangible assets (Notes 13, 14 and 25) | 2,934 | (146,628) | (3,823) |
| Net estimated loss on realization of taxes and rates | (5,825) | (85,939) | (8,701) |
| Revenue from investment grant – ICMS | (80,006) | (92,341) | (76,885) |
| Other | 64,954 | 106,886 | 14,078 |
| Changes in assets and liabilities | | | |
| Trade accounts receivable and advances from clients | 1,322,019 | 292,919 | (836,799) |
| Inventories | (1,071,583) | 418 | (281,413) |
| Restricted cash | 80,525 | (127,125) | 204,853 |
| Assets from contracts with clients | (837,878) | (698,239) | - |
| Derivative financial instruments | 1,575,896 | 96,277 | 194,055 |
| Related parties | (97,633) | (25,813) | (16,257) |
| Suppliers and advances to suppliers | 1,567,499 | 2,626,266 | 1,659,936 |
| Recoverable and payable taxes, net | (1,036,128) | (538,682) | (522,826) |
| Payroll and related charges payable | 72,606 | (42,789) | 74,032 |
| Other assets and liabilities, net | (84.012) | (140,102) | (14,982) |
| Payment of income tax and social contribution on net income | (227,962) | (253,034) | (249,351) |
| Net cash generated by operating activities | 7,789,419 | 6,386,703 | 6,388,979 |
| Cash flow from investment activities | | | |
| Payment for business combinations and investment additions | (2,286,188) | (1,641,310) | (913,841) |
| Cash received on disposal of equity interest | 369,974 | 3,662 | 96,338 |
| Derecognition of cash in the formation of joint venture and in the disposal of subsidiary | (16,186) | - | - |
| Redemption from (investments in) securities, net | 229,268 | 810,532 | (325,141) |
| Additions to property, plant and equipment and intangible assets (Notes 14, 15 and 31) | (2,916,198) | (2,333,728) | (2,476,713) |
| Additions to biological assets (Notes 9 and 31) | (710,405) | (671,212) | (555,785) |
| Cash received upon disposal of property plant and equipment, net | 250,594 | 217,976 | 221,165 |
| Dividends received from associated companies | 1,034 | - | - |
| Net cash used in investment activities | (5,078,107) | (3,614,080) | (3,953,977) |
| Cash flow from financing activities | | | |
| Funding of third party loans and financing | 7,352,092 | 6,316,489 | 2,988,749 |
| Amortizations of principal of third party loans and financing | (3,529,607) | (4,181,945) | (1,236,508) |
| Payment of interest on third party loans and financing | (844,765) | (752,186) | (667,607) |
| Amortizations of third party lease liabilities | (1,114,229) | - | |
| Amortizations of intragroup lease liabilities | (145,737) | - | |
| Net redemption of financial investments linked to financing | 10,182 | 13,149 | 571 |
| Payment of dividends and interest on capital and preferred shares | (2.637.765) | (2,274,446) | (3,092,893) |
| Related parties and others | 2,317 | (2,015) | 1,208 |
| Net cash used in financing activities | (907.512) | (880,954) | (2,006,480) |
| Increase in cash and cash equivalents | 1,803,800 | 1,891,669 | 428,522 |
| Cash and cash equivalents at the beginning of the year (Note 3) | 5,740,037 | 3,663,168 | 3,201,598 |
| Effect of exchange-rate change on cash and cash equivalents | 1,057,823 | 185,200 | 33,048 |
| Cash and cash equivalents at the end of the year (Note 3) | 8,601,660 | 5,740,037 | 3,663,168 |

Supplementary information to the cash flow is shown in Note 31.

See the accompanying notes to the combined consolidated financial statements.

## 1. Operations

Raízen Group ("Group") is basically engaged in the following activities and comprises the following companies:

### (a) Raízen Energia S.A. and subsidiaries ("Raízen Energia" or "RESA"):

RESA is a publicly-held company enrolled in the Brazilian Securities and Exchange Commission ("CVM") in Category B, headquartered at Avenue Brigadeiro Faria Lima, 4.100, 11° floor, Part V, Itaim Bibi, São Paulo/SP, Brazil. RESA was established on June 1, 2011 and is indirectly and jointly controlled by Royal Dutch Shell ("Shell") and Cosan Limited ("Cosan").

RESA and its subsidiaries are mainly engaged in producing, trading sugar, ethanol and pellets, including abroad through its subsidiaries Raízen Trading LLP and Raízen International Universal Corporation, and co-generating energy produced from sugarcane bagasse at its 26 mills located in Brazil's Center-Southern Region and trading business of electricity.

Sugarcane farming requires a period ranging from 12 to 18 months for maturing and harvesting and generally starts between the months of April and May every year, and usually ends between November and December, period in which sugar and ethanol are also produced. Production is sold during the whole year and does not fluctuate over the seasons, but is affected by normal market supply and demand. Because of its production cycle, the RESA's fiscal year starts on April 1 and ends on March 31.

### (b) Raízen Combustíveis S.A. and its subsidiaries ("Raízen Combustíveis" or "RCSA"):

RCSA is a privately-held company with head office at Avenue Almirante Barroso, 81, 36º floor, room 36A104, in the city of Rio de Janeiro (RJ), Brazil. RCSA is indirectly controlled by Royal Dutch Shell ("Shell") and Cosan Limited ("Cosan").

RCSA is mainly engaged in: (i) distributing and marketing oil and ethanol by-products, and other fluid hydrocarbons and their by-products under Shell brand; (ii) trade of natural gas; (ii) importing and exporting the products abovementioned; (iv) oil refining and production and sale of automotive and industrial lubricants through its Argentine subsidiaries; and (v) holding interests in other companies.

On November 01, 2019, RCSA and Femsa Comercio ("FEMCO") received all the necessary approvals to form the joint venture called Rede Integrada de Lojas de Conveniências e Proximidade S.A. ("Rede"). Details of this operation are described in Note 13.b.

### (c) Covid-19

In 2020, several countries implemented social isolation measures to fight the Covid-19 pandemic. The Group implemented a contingency plan aimed at preserving the health and integrity of its employees, in addition to ensuring the Company's safety and continuity, as our products and services are considered essential activities, since they are a strategic input in hospitals, safety, food and energy.

The extent to which the Covid-19 pandemic may affect our operational results, financial position and cash flows will depend on future developments, which are highly uncertain and cannot be predicted upon the disclosure of these financial statements, including new information that may arise on the severity of Covid-19 and the measures taken to contain the virus or address its impact. Thus, due to the uncertainty about the adverse impacts of Covid-19, the Group opted to temporarily suspend RESA´s guidance for 2020'21 crop.

Based on the information currently available, the main assessments and, where applicable, the main effects of the Covid-19 pandemic on our operating income (loss) are as follows:

**(i) Going concern assumption**

The Group's financial statements were prepared and are being disclosed considering the premise of operational continuity of its relevant businesses.

**(ii) Impairment of non-financial assets and tax credits**

The Group assessed impairment loss indicators of non-financial assets and tax credits and concluded that, even with a potential reduction in cash flows and expected income for the 2020/2021 harvest, the value in use of cash generating units continues to be significantly higher than its carrying amount, and, regarding taxes, the expectation of the taxable basis for main taxes remains, in addition to the fact that taxes does not have due date to be compensated

.

**(iii) Estimated loss from allowance for doubtful accounts**

The impairment losses associated with the credit risk on financial assets are calculated based on the future expectation of loss, considering the individual situation of clients and the economic group to which they belong. Considering that the Group operates mostly with real guarantees from its clients, and carries out a thorough credit analysis, when applicable, with cash advances for the shipment of its products, there was no relevant additional recognition due to Covid-19.

**(iv) Net realizable value of inventories**

The Group uses the estimated sale price in the normal course of business, net of selling expenses as an assumption of net realizable value. Therefore, the drop in prices, mainly for ethanol in Brazil and oil products in Argentina, impacted by the consumption decrease caused by social isolation, resulted in the recognition of an estimated loss from consolidated realization of inventories of R$ 94,487 as of March 31, 2020.

### (v) Liquidity

We preventively reinforced the liquidity level during this period of big volatility by contracting new credit facilities around R$ 2 billion with financial institutions in Brazil and abroad, made by the Raízen Group (Raízen Combustíveis and Raízen Energia). As of the other loans of the Raízen Group, the funding mentioned does not contain financial covenants. The Group ended the year ended March 31, 2020 with consolidated cash of R$ 8,601,660. Additionally, the Raízen Group maintained the revolving credit facility, an unused credit line of up to US $ 1 billion. There was no change in the Raízen Group's credit risk, as of maintained the investment grade in the corporate ratings issued by S&P and Fitch during the months of April and May 2020, as disclosed in Note 27.k.

Consolidated working capital (current assets minus current liabilities) ended the same year with a positive balance of R$ 2,962,832 and a consolidated net income of R$ 2,395,717.

### (vi) Capex

The Group does not expect reductions or significant impacts on its recurring and operating investments for the 2020/21 harvest, but rather a rationalization on expansion projects unrelated to Raízen Group´s operation activities, that will be postponed for the next years.

### (vii) Leases

There has been no change in the amounts previously recorded as right of use assets or lease liabilities as a result of a contractual amendment linked to Covid-19 so far.

### (viii) Contractual commitments

There has been no execution for or against the Group on its contracts, whether via cancellation or legal exercise of force majeure clauses.

## (d) Cyber attack

On March 11, 2020, the Company suffered a cyber-attack (ransomware) and decided to shut down temporarily all of its systems to perform an analysis to identify possible impacts. We had a partial and temporary interruption of our activities and, as expected internally for this type of situation, our operations were carried out contingently until the restart of the systems.

After the incident, the Group implemented certain additional preventive measures to reduce cyber risks, including hiring a company to perform forensic work on the above-mentioned attack, which affected part of the environment hosted in the Group's data center, as well as user machines (desktops and laptops) connected to the network. Based on the experience and tools of the contracted company, on interviews with the Group's executives and on the technical evidence present in the IT environment, it was possible to determine a list of servers to be further verified. The process and characteristics of the attack were identified for the purpose of evolving and improving the Group's technological environment.

Although the temporary interruption of the systems has generated certain impacts on our operations, there was no material financial impact which is recognized in these financial statements.

**(e) Other information**

The synergy between RESA and RCSA makes Raízen Group to be currently positioned in a special place in the Brazilian and Latin America market. The both companies work in a complementary manner, and therefore, reporting their combined consolidated businesses is a key tool to allow the market to evaluate the Raízen Group as a whole.

Although they are not set up as a group pursuant to article 265 of Brazilian Corporation Law ("LSA"), companies of RAÍZEN Group disclose such combined consolidated financial statements to provide information that best reflects their gross cash flows from operating activities.

The Raízen Group's combined consolidated financial statements have been presented exclusively to provide information about all the Raízen Group's activities in a unique financial statement, regardless of the Group's corporate structure.

As a result, these combined consolidated financial statements do not represent the individual or consolidated financial statements of an entity and its subsidiaries and should not be used as a basis for the calculation of dividends or taxes, or for any other corporate or statutory purposes and does not necessarily provide indicators of the current or future profit or loss that would have been earned had these combined companies been operating as one single legal entity.

## 2. Presentation of financial statements and significant accounting policies

### 2.1. Preparation basis

The combined consolidated financial statements have been prepared in accordance with the International Accounting Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), and evidence all relevant information of the financial statements, and only them, are consistent with those used by Management in its Administration.

The issue of Raízen Group's combined consolidated financial statements was authorized by the Management on June 22, 2020.

### 2.2. Combination criteria

Such combined consolidated financial statements include the following companies: (i) Raízen Energia S.A. and its subsidiaries and (ii) Raízen Combustíveis S.A. and its subsidiaries.

In the combination, the receivables and payables, revenues, expenses and unrealized profits arising from balances and transactions between these companies, when applicable, were eliminated.

The breakdown of assets and equity for the years ended March 31, 2020 and 2019, as well as results and other comprehensive income of the companies for the years ended March 31, 2020, 2019 and 2018, comprising the combined consolidated financial statements and the related combined consolidated balances, after the elimination of intragroup transactions, are as follows:

| | Total assets | | Total equity | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Raízen Energia S.A. and its subsidiaries | 44,900,004 | 28,631,585 | 7,588,177 | 8,338,026 |
| Raízen Combustíveis S.A. and its subsidiaries | 29,179,467 | 23,558,857 | 4,153,554 | 3,064,352 |
| | 74,079,471 | 52,190,442 | 11,741,731 | 11,402,378 |
| Elimination of commercial transactions, unrealized profits and financial transactions | (8,480,103) | (5,629,452) | (11,628) | (10,374) |
| Combined consolidated balances | 65,599,368 | 46,560,990 | 11,730,103 | 11,392,004 |

| | Net income (loss) | | | Other comprehensive income | | |
|---|---|---|---|---|---|---|
| | **2020** | **2019** | **2018** | **2020** | **2019** | **2018** |
| Raízen Energia S.A. and its subsidiaries | 273,979 | 473,022 | 642,807 | (16,631) | 247,607 | 682.895 |
| Raízen Combustíveis S.A. and its subsidiaries | 2,100,884 | 1,708,021 | 1,668,220 | 2,951,735 | 1,568,150 | 1.666.193 |
| | 2,374,863 | 2,181,043 | 2,311,027 | 2,935,104 | 1,815,757 | 2.349.088 |
| Elimination of commercial transactions, unrealized profits and financial transactions | 20,854 | 54,072 | (43) | (1,256) | 2,439 | (2.118) |
| Combined consolidated income | 2,395,717 | 2,235,115 | 2,310,984 | 2,933,848 | 1,818,196 | 2.346.970 |

The combined consolidated financial statements are a unique set of financial statements of two or more entities that are jointly controlled. RESA and RCSA used the definition of control in conformity with the IFRS 10 - Consolidated Financial Statements, with respect to both the existence of joint control and to the consolidation procedures.

## (b) Measurement basis

The combined consolidated financial statements were prepared using historical cost as the value base, except, when applicable, for the valuation of certain assets and liabilities such as investments, securities, inventories, loans and financing, derivative financial instruments and biological assets, which may be measured at fair value.

## (c) Functional and presentation currency

These combined consolidated financial statements are being presented in Reais, functional currency of the Group. The functional currency of subsidiaries operating in others country abroad (e.g.: Argentina, UK and others) is the US dollar in accordance with IAS 21. All the balances have been rounded to the nearest thousand, unless otherwise indicated. The financial statements of each subsidiary included in the consolidation and combination, as well as those utilized as a basis to account for investments under the equity accounting result method, are prepared based on the functional currency of each company. The translation effects are recorded in equity.

## (d) Significant judgments, estimates and assumptions

The preparation of combined consolidated financial statements requires Management to make judgments and estimates and adopt assumptions that affect the amounts presented for revenues, expenses, assets and liabilities in the base date of the financial statements.

These estimates and assumptions are reviewed in a continuous manner. Reviews in relation to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Should there be a significant change in the facts and circumstances on which the estimates and assumptions made are based, there may be a material impact on the Group's results and financial position.

The significant accounting estimates and assumptions are set out below:

### Income tax, social contribution and other taxes payable

The Group is subject to income tax and social contribution, when applicable, in all countries in which it operates. Therefore, significant judgment is required to determine provision for such taxes.

In certain transactions, the final determination of the tax is uncertain. When applicable, the Group also recognizes provisions to cover certain situations in which it is probable that additional tax amounts will be owed. When final result of such issues differs from initially estimated and recorded amounts, these differences affect current and deferred tax liabilities and income (loss) and comprehensive income in the period in which definitive value is determined.

### Deferred income and social contribution tax

Deferred income tax and social contribution assets are recognized for all tax loss carryforwards not utilized to the extent that it is probable that there will be future taxable income to allow their use in the future. In addition, the Group recognized deferred taxes based on temporary differences determined based on tax basis and book value of certain assets and liabilities, using prevailing rates. Substantial judgment from Management is required to determine the amount of the deferred income tax and social contribution assets that can be recognized, based on the reasonable term and amount of future taxable income, along with future tax rationalization. See Note 19.

### Biological assets

Biological assets are measured at fair value on each reporting date, and the effects of changes in fair value between the periods are recognized directly in the Cost of products sold. See Note 9.

### Property, plant and equipment and intangible assets, including goodwill

The accounting treatment given to property, plant and equipment and intangible assets includes estimates to determine the useful life period for depreciation and amortization purposes, in addition to the fair value at acquisition date of the assets acquired through business combinations. The Group performs, on an annual basis, an evaluation of impairment indicators of recoverable values of goodwill and intangible assets with undefined useful life. Property plant and equipment and intangible assets with defined life are subject to depreciation and amortization are impairment tested whenever events or changes in circumstances indicate that the book value may not be recoverable. The determination of the recoverable amount of the cash-generating unit to which the goodwill was allocated also includes the use of estimates and requires a significant degree of Management's judgment. See Note 14.

### Provision for legal disputes

The Group recognizes the provision for tax, civil, labor and environmental legal disputes. Determination of the likelihood of loss includes determination of evidences available, hierarchy of laws, jurisprudence available, more recent court decisions and relevance thereof in legal system, as well as evaluation of internal and external attorneys. Such provisions are reviewed and adjusted to take into account changes in circumstances, such as statute of limitations applicable, tax inspection conclusions or additional exposures identified based on new matters or court decisions. See Note 20.

### Fair value of financial instruments

When the fair value of the financial assets and liabilities presented in the statement of financial position cannot be obtained from active markets, it is determined by using valuation techniques, including the discounted cash flow method. The data for these methods are based on those adopted by the market, when possible. However, when such data are not available, a certain level of judgment is required to establish the fair value. Judgment includes considerations on the data utilized, such as liquidity risk, credit risk and volatility. Changes in the assumptions related to these factors can affect the fair value presented for the financial instruments. See Note 27.

## 2.3. Consolidation basis

As of March 31, 2020 and 2019, the combined consolidated financial statements include information on RESA and its subsidiaries, and of RCSA and its subsidiaries and exclusive investment funds. The direct subsidiaries of RCSA and RESA and investment funds are listed below:

| Subsidiaries of RESA | Direct and indirect ownership interests | |
|---|---|---|
| | 2020 | 2019 |
| Agrícola Ponte Alta Ltda. | 100% | 100% |
| Benálcool Açúcar e Álcool Ltda. | 100% | 100% |
| Bioenergia Araraquara Ltda. | 100% | 100% |
| Bioenergia Barra Ltda. ("Bio Barra") | 100% | 100% |
| Bioenergia Caarapó Ltda. | 100% | 100% |
| Bioenergia Costa Pinto Ltda. | 100% | 100% |
| Bioenergia Gasa Ltda. | 100% | 100% |
| Bioenergia Jataí Ltda. | 100% | 100% |
| Bioenergia Maracaí Ltda. | 100% | 100% |
| Bioenergia Rafard Ltda. | 100% | 100% |
| Bioenergia Serra Ltda | 100% | 100% |
| Bioenergia Tarumã Ltda. | 100% | 100% |
| Bioenergia Univalem Ltda. | 100% | 100% |
| Raízen Araraquara Açúcar e Álcool Ltda. (“Raízen Araraquara”) | 100% | 100% |
| Raízen Ásia PT Ltd. | 100% | 100% |
| RZ Agrícola Caarapó Ltda. (2) | 100% | - |
| Raízen Biogás SPE Ltda. | 100% | 100% |
| Raízen Biotecnologia S.A. | 100% | 100% |
| Raízen Biomassa S.A. (1) | 82% | - |
| Raízen Caarapó Açúcar e Álcool Ltda. | 100% | 100% |
| Raízen Centroeste Açúcar e Álcool Ltda. | 100% | 100% |
| Raízen GD Ltda. | 100% | 100% |
| Raízen Energy Finance Ltd. | 100% | 100% |
| Raízen Fuels Finance S.A. | 100% | 100% |
| Raízen-Geo Biogás S.A. | 85% | 85% |
| Raízen International Universal Corp. | 100% | 100% |
| Raízen North América, Inc. | 100% | 100% |
| Raízen Paraguaçú Ltda. | 100% | 100% |
| Raízen Trading LLP. | 100% | 100% |
| Ryballa Participações Ltda. | 100% | 100% |
| RWXE Participações S.A. (“RWXE”) (1) | 70% | 70% |
| São Joaquim Arrendamentos Agrícolas Ltda. | 100% | 100% |
| Unimodal Ltda. | 73% | 73% |
| WX Energy Comercializadora de Energia Ltda. ("WX Energy") | 70% | 70% |

(1) On December 2, 2019, RESA acquired 81.5% of Biomassa’s shares. See Note 30.i.
(2) On January 2, 2020, RESA acquired all the shares of RZ Agrícola Caarapó Ltda (previously called Nova América Agrícola Caarapó Ltda). See Note 30.ii.

| Subsidiaries of RCSA | Direct and indirect ownership interests | |
|---|---|---|
| | 2020 | 2019 |
| Blueway Trading Importação e Exportação Ltda. | 100% | 100% |
| Petróleo Sabbá S.A. ("Sabbá") | 80% | 80% |
| Raízen Argentina Holdings S.A.U. ("RAHSAU") (1 and 2) | - | 100% |
| Raízen Argentina S.A. ("RASA") (1) | 100% | 100% |
| Raízen Energina S.A. (1) | 100% | 100% |
| Raízen Gas S.A. (1 and 5) | - | 100% |
| Deheza S.A. (1) | 100% | 100% |
| Estación Lima S.A. (1) | 100% | 100% |
| Rede Integrada de Lojas de Conveniências e Proximidade S.A. (3 and 4) | - | 100% |
| Raízen S.A. | 100% | 100% |
| Raízen Mime Combustíveis S.A. ("Mime") | 76% | 76% |
| Raízen Mime Conveniências Ltda. ("Mime Conveniências") (4) | - | 91% |
| Raízen Sabbá Conveniências Ltda. ("Sabbá Conveniências") (4) | - | 96% |
| Sabor Raíz Alimentação S.A. ("Sabor Raiz") | 69% | 69% |
| Saturno Investimentos Imobiliários Ltda. ("Saturno") | 100% | 100% |

(1) Jointly called Raízen Argentina and subsidiaries;
(2) RAHSAU was incorporated by RASA in July 2019.
(3) Former Raízen Conveniências Ltda;
(4) The assets and liabilities of these companies were derecognized on Group's statement of financial position starting from the formation of the joint venture on November 01, 2019; e.
(5) Disposed in January 2020.

| Exclusive Investment Funds ("FI") | Total interest | |
|---|---|---|
| | 2020 | 2019 |
| Fixed income IF for private credit RJ – Banco Santander S.A. | 100% | 100% |
| Fixed income IF for private credit RAÍZEN I – Banco BNP PARIBAS BRASIL S.A. | 100% | 100% |

Subsidiaries are fully consolidated from the date of control acquisition, and continue to be consolidated up to the date when control no longer exists. The financial statements of the subsidiaries are prepared for the same reporting period as the Group, and utilizing accounting policies consistent and, when required, with the policies adopted by the Group.

Balances and transactions arising from operations between consolidated combined companies, such as: revenues and expenses and unrealized income (loss) are fully eliminated.

## 2.3. Description of significant accounting policies

The accounting policies described below have been consistently applied to all the years presented in these combined consolidated financial statements, except for the adoption as of April 1, 2019 of certain standards, amendments to standards and interpretations to IFRS issued by IASB (Note 2.4).

### (a) Revenue recognition

Revenues from sales of products or goods (sugar, ethanol and fuels), including resales of products in the foreign market (made by Raízen Trading LLP, Raízen International Universal Corporation e Raízen Argentina), are recognized when the entity provide the products and goods to the client and as a result, transfers to the buyer the control of products and goods in a specific moment. Selling prices are established based on purchase orders or contracts. Goods or services whose revenue is deferred are recorded within "Others liabilities" and accounted for as revenues upon transfer of control in a specific moment of goods or services to the client.

The revenue from the sale of the electric power co-generated is recorded based on the energy available in the network and the tariffs specified in the supply agreements, or the current market price, according to each case. Due to the billing flow of certain contracts, the electric power produced and sold through auctions is initially recognized as prepaid revenue, and is only recognized in the statement of income when the electric power is available to be used by clients.

Revenue from leases and storage comprises leases of gas stations and storage of fuel in the RCSA terminals and its subsidiaries, and is recognized as the services are rendered, under "Other operating revenues, net" (Note 25).

Revenue is presented net of all applicable taxes, including: (Excise Tax) (“IPI”), Value-added Tax on Sales and Services (“ICMS”), Social Integration Program - PIS (“PIS”), Social Contribution on Revenues (“COFINS”), Economic Domain Intervention Contribution (“CIDE”), National Institute of Social Security (“INSS”), Fuel Transfer Tax (“ITC”), Added Value Tax (“IVA”) and Gross Income Tax (“IIB”) and others, returns, rebates and discounts, amortization referring to exclusive supply rights, as well as of eliminations of sales between Group companies.

## (b) Transactions in foreign currency

Foreign currency transactions are translated into the functional currency (the real) using the exchange rates prevailing at the dates of the transactions, or the dates of valuation when items are remeasured.

Monetary assets and liabilities denominated in a foreign currency are converted into reais using the foreign exchange rates prevailing at the statement of position date, and foreign exchange gains and losses arising from the settlement of these transactions and the translation at year-end exchange rates are recognized in the statement of income within “Financial result", unless they qualify as hedge accounting, in which case they are recognized in Statement of Comprehensive Income.

Non-monetary items that are measured at the historical cost in a foreign currency are translated using the translation rate of the transaction start date. Non-monetary assets that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

## (c) Financial instruments – Initial recognition and subsequent measurement

### (i) Financial assets

#### Measurement

In the initial recognition, a financial asset is classified as measured: (i) at amortized cost; (ii) at fair value through other comprehensive income; or (iii) at fair value through profit or loss.

Reclassification between classes occurs when there is a change in the business model for the management of financial assets and liabilities. In this case, all instruments related to the change are reclassified upon said change.

A financial asset is measured at amortized cost if it meets both conditions below and is not designated as measured at fair value through profit or loss: (i) its purpose is to maintain financial assets to receive contractual cash flows; and (ii) its contractual terms generate, on specific dates, cash flows related to the payment of principal and interest on principal outstanding value.

A financial asset is measured at fair value through other comprehensive income if it meets both conditions below and is not designated as measured at fair value through profit or loss: (i) purpose is to receive contractual cash flows and sell financial assets; and (ii) its contractual terms generate, on specific dates, cash flows which are only payments of principal and interest on outstanding principal value.

All financial assets not classified as measured at amortized cost or at fair value through other comprehensive income, as described above, are classified at fair value through profit or loss.

**Evaluation of business model**

The Group carries out an evaluation of the purpose of the business in which a financial asset is held in the portfolio, since this better reflects the way in which the business is managed and the information is provided to management.

The information considered is mainly comprised by: (i) the policies and goals established for the portfolio and operation of policies. They include matters of whether management's strategy focuses on obtaining contractual interest revenues, maintaining a certain interest rate profile, matching the duration of financial assets with the duration of related liabilities or expected cash outflows, or the realization of cash flows through the sale of assets; (ii) how the performance of the portfolio is evaluated and reported to the Group's management; (iii) risks that affect the performance of the business model (and the financial assets held in that business model) and the manner in which those risks are managed; (iv) how business executives are remunerated - for example, if the remuneration is based on the fair value of managed assets or in contractual cash flows obtained; and (v) the sales rate, volume and timing of sales of financial assets in prior periods, the reasons for such sales and future sales expectations.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, which is consistent with the ongoing recognition of the Group's assets.

Financial assets held for trading or managed with a performance evaluated based on fair value are measured at fair value through profit or loss.

**Evaluation whether the contractual cash flows represent solely payments of principal and interest**

For the purpose of evaluating contractual cash flows, the principal is defined as the fair value of the financial asset at the initial recognition. Interest is mainly defined as a consideration at the time value of money and for the risk credit associated with the main value outstanding over a period of time and the other basic risks and costs of borrowing (for example, liquidity risk and administrative costs), as well as a profit margin.

The Group considers the contractual terms of the instruments to evaluate whether the contractual cash flows are only payments of principal and interest. It includes evaluating whether the financial asset contains a contractual term that could change the time or amount of the contractual cash flows so that it would not meet this condition. When conducting this evaluation, the Group considers: (i) contingent events that change the amount or timing of cash flows; (ii) terms that may adjust the contractual rate, including variable rates; (iii) the prepayment and the extension of the term; and (iv) the terms that

limit the Group's access to cash flows of specific assets (for example, based on the performance of an asset).

**Impairment of financial assets**

The Group adopts the expected credit loss model to financial assets measured at amortized cost, contractual assets and debt instruments measured at fair value through other comprehensive income, but is not applicable to investments in equity instruments.

The expected loss matrix adopted by the Group, considers the grouping of clients with similar credit characteristics, by sales channel and rating (client risk rating, measured internally).

**(ii) Financial liabilities**

They are measured at amortized cost or at fair value through profit or loss, comprising, in the Group's case, mainly loans and financing, payables to suppliers and related parties and derivative financial instruments.

**(iii) Offset of financial instruments - net presentation**

Assets and liabilities are presented net in the statement of financial position if, and only if, there is a current legal and enforceable right to offset the recognized amounts and if the intention of offsetting, or realizing the asset and settling the liability simultaneously.

**(iv) Derecognition (write-off)**

A financial asset is written off when: (i) The rights to receive cash flows from the asset have expired; and (ii) the Group transfers its rights to receive cash flows of the asset or assumes an obligation to fully pay cash flows received, to a third party under terms of an "onlending" agreement; and (a) the Group transfers substantially all risks and benefits of the asset, or (b) the Group does not transfer either retains substantially all the risks and benefits related to the asset, but transfers control over the asset.

**(v) Derivative financial instruments and hedge accounting**

The cash flow hedge relationships of highly probable future exports or imports are considered continuous hedge relationships and they also qualify for hedge accounting.

**Initial recognition and subsequent measurement**

The Group uses derivative financial instruments, such as non-deliverable forwards, commodity forward contracts and swaps to provide protection against the risk of change in the foreign exchange rates, prices of commodities. The derivative financial instruments designated in hedging operations are initially recognized at fair value on the date on which the instrument is obtained, and are subsequently measured at fair value. They are presented as financial assets when the fair value of the instrument is positive; and as financial liabilities when the fair value is negative.

Any gains or losses resulting from changes in the fair value of derivatives during the year are recognized directly in the statement of income, with the exception of financial instruments designated as hedge accounting, such as cash flow hedge, which is recognized directly in equity in other comprehensive income. The fair value of financial instruments that do not qualify as hedge accounting are recognized in income (loss) for the year in the case of instruments related to operating transactions in operating captions (for example: revenue, cost, expenses), and in financial results in the case of instruments linked to financial operations.

For hedge accounting purposes, there are the following classifications: (i) fair value hedge, in providing protection against exposure to changes in the fair value of recognized asset or liability or of unrecognized firm commitment, or of identified part of such asset, liability or firm commitment, which is attributable to a particular risk and may affect the result; (ii) cash flow hedge, in providing protection against the change in the cash flows that is attributable to a particular risk associated with a recognized asset or liability or with a foreseen transaction that is highly likely and that might affect the result; or (ii) hedge of a net investment in a foreign operating unit.

In the initial recognition of a hedge relationship, the Group formerly classifies and documents the hedge relationship to which the Group wishes to apply hedge accounting, as well the objective and the risk management strategy of Management for hedge purposes, based on solid policies and practices applied by Management which, among others, estimates that will not be over hedge in relation to underlying instruments.

The documentation mainly includes: (i) the identification of the hedge instrument, (ii) the hedged item or transaction, (iii) the nature of the risk to be hedged, (iv) the statement of transaction complies with Management's policies and practices and (v) correlation between hedge instruments for purposes of offsetting the exposure to changes in the fair value of the hedged item or cash flows related to the hedged risk. The nature of the high probability of the foreseen transaction to be hedged, as well as the foreseen periods of transfer of the gains or losses resulting from the hedge instruments from equity to income, are also included in the documentation of the hedge relationship.

In practice, main hedges that meet accounting hedge criteria are as follows:

**Cash flow hedge**

The effective portion of the gain or loss on the hedging instrument is initially recorded directly in equity or other comprehensive income, while any ineffective portion is recognized directly in income (loss) for the year.

Amounts recognized in other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial revenue or interest expense is recognized, or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts recognized in equity are transferred to the initial book value of the non-financial asset or liability. If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognized in equity are transferred to the statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its

designation as a hedge is revoked, any cumulative gain or loss previously recognized in comprehensive income (loss) remains in equity until the forecast transaction or firm commitment affects profit or loss.

**Net investment hedge in foreign entities**

Hedge of net investment in foreign transactions is calculated by similarity to cash flow hedge. Any gain or loss of hedge instrument related to the effective hedge portion is recognized in the Equity. The gain or loss relating to the ineffective portion is immediately recognized in the statement of income (loss). Accumulated gains and losses in the equity are included in the result for the year, when the investment abroad is sold.

**Fair value hedge and fair value option of certain financial liabilities**

The Group designates certain debts with linked derivatives (Note 18), as liabilities measured at fair value through profit or loss, in order to eliminate, or significantly reduce, inconsistencies in measurement that would otherwise result in the recognition of gains or losses on the loans and derivatives on different bases. As a result, fluctuations of loans fair value are recognized in Financial results.

**Fair value hedge - Inventories**

The Group designates to the fair value, the inventory of oil derivates with linked derivatives at fair value and details are described in Note 27.e.

**(d) Inventories**

In general, inventories are valued at the average cost of acquisition or production. Exception for inventories of Raízen Trading and inventories of Brazilian companies with linked derivatives, which are designated at fair value (Note 2.3.c), not exceeding the net realizable value. Costs of finished products and products in process include raw material, direct labor costs and other direct costs as well as respective direct production expenses (based on regular operating capacity) less loan costs. The net realizable value is the sales price estimated for the normal course of the businesses, less estimated completion execution costs and selling expenses.

The estimated losses for slow-moving or obsolete warehouse inventories are constituted when these inventories have not being utilized for a reasonable period of use or sale and are not considered strategic by the Management.

**(e) Investments in associated companies and joint ventures**

Investments in entities over which the Group has significant influence or shared control are accounted for under the equity method. They are initially considered in statement of financial position at cost, plus changes after the acquisition of the ownership interest.

The statement of income reflects the share in the results from operations of associated companies and joint ventures based on the equity method. When a change is directly recognized in the shareholders'

equity of the associated company or joint venture, the Group will recognize its share in the changes in the statement of changes in the equity.

After applying the equity method, the Group determines whether it is necessary to recognize additional impairment on the investment. The Group determines, at each statement of financial position closing date, if there is objective evidence that investment in the associated company and joint venture suffered impairment loss. If so, the Group calculates the amount of impairment loss as the difference between the recoverable amount of the associated company and joint venture and the book value and recognizes the amount in the statement of income.

Unrealized gains from transactions between the Group and its associated companies and joint ventures are eliminated to the extent of the Group's interest.

The accounting policies of the associated companies and joint ventures are changed when required in order to assure the consistency with the policies adopted by the Group.

## (f) Biological assets

Biological assets refer to sugarcane crops that are measured at fair value, excluding the land on which they are located, under the discounted cash flow method.

For sugarcane, RESA uses future cash flows in discounted at present value and are projected in accordance with the productivity cycle projected for each harvest, taking into consideration the estimated useful life of assets, the prices of total recoverable sugar, estimated productivities, estimated costs to be incurred with production, harvesting, loading and transportation per planted hectare.

Changes in fair values between periods, as well as amortization, are allocated to in Statement of Income under "Cost of products sold" caption.

## (g) Property, plant and equipment

Property, plant and equipment items (sugarcane planting included) are stated at historical acquisition or construction cost less accumulated depreciation and impairment losses, when applicable.

The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets built by the Company includes materials and direct labor, as well as any other costs attributable to bringing the assets to the location and condition requires for them to operate in the manner intended by Management, and loan costs on qualifiable assets. Borrowing costs relating to funds raised for works in progress are capitalized until the projects are concluded.

RESA and its subsidiaries perform the main maintenance activities scheduled for their manufacturing units on an annual basis (off-season period). This usually occurs between the months from January to March, with the objective of inspecting and replacing components.

The main annual maintenance costs in RESA and its subsidiaries include costs of labor, materials, outsourced services and overhead allocated during the off-season period. These costs are classified as frequent replacement parts and components, in property, plant and equipment, and are fully amortized in the following crop season.
The cost of an equipment item that must be replaced on an annual basis at RESA and its subsidiaries is accounted for as a component of the equipment costs and depreciated over the following crop. The

costs of normal periodic maintenance are accounted for in expenses when incurred as the replaced components do not improve the production capacity of the asset or introduce refinements in the equipment.

In RCSA and its subsidiaries, estimated costs to be incurred with removal of fuel storage tanks are recorded as part of the cost of property, plant and equipment, with a corresponding entry to the provision in current and non-current liabilities, depending on the estimated obligation term.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of any renewal to increase useful life should be activated and included in the asset's book value, if it is probable that future economic benefits following the renewal will exceed the performance standard initially assessed for the existing asset and that such benefits will accrue to the Group. The main refurbishments are depreciated over remaining useful lives of related assets.

Gains and losses from divestitures are determined by the comparison of sales amounts with the book value and are recognized in the statement of income under "Other operating revenues, net".

Lands are not depreciated. On March 31, 2020 and 2019 depreciation of such assets was calculated based on estimated useful life wear and tear for each asset. The annual weighted average depreciation rates are as follows:

| Class of property plant and equipment | Rates |
|---|---|
| Buildings and improvements | 3% |
| Machinery, equipment and facilities | 5% |
| Aircrafts and vehicles | 8% |
| Furniture and fixtures and IT equipment | 13% |
| Sugarcane planting | 20% |
| Other | 5% |

Residual values and the useful lives of material assets are reviewed and adjusted, if required, at the end of each year.

## (h) Leases

As of April 1, 2019, IFRS 16 initiated to be applied in the Group's financial statements (See Notes 2.4.1 and 17). Thus, the Group started to recognize rights of use asset and lease liabilities on the lease inception date. The lease liabilities are initially measured at the present value of the payments of rents that have not been paid on the transition date, discounted using the Group´s incremental rate of loans, a nominal rate, based on the Raízen Group's indebtedness, which corresponds to approximately 100% of CDI for the lease liabilities recognized. During the year ended March 31, 2020, the discount rates used followed according to the contractual terms, were as follows:

| | Rates | |
|---|---|---|
| **Contractual terms (years):** | **Nominal** | **Real** |
| 1 | 5.0% | 1.6% |
| 2 | 5.6% | 1.9% |
| 3 | 6.2% | 2.3% |
| 4 | 6.6% | 2.7% |
| 5 | 6.9% | 3.0% |
| 6 | 7.1% | 3.1% |
| 7 | 7.3% | 3.3% |
| 8 | 7.4% | 3.4% |
| 9 | 7.6% | 3.5% |
| >10 | 7.7% | 3.6% |

The lease term is equivalent to the minimum non-cancellable term of the agreements and the Group does not add the periods covered by a renewal option to the lease term, except where the Group is reasonably certain that the renewal option will be exercised. For example, in the case of agricultural contracts where the Group has the renewal prerogative for a pre-established number of crops under the terms of the contract.

The right-of-use asset is initially measured at cost, which comprised the value of initial measurement of the lease liability and, when applicable, adjusts in regard to payments in advance, initial direct costs, estimates for the removal and dismantling of the underlying asset and incentives received.

The right-of-use asset is subsequently amortized using the depreciation method applied to similar items of property, plant and equipment and, if applicable, reduced by impairment losses.

The Group remeasures the lease liabilities when there is a change in the lease term or a change in future lease payments resulting from a change in index or rate used to determine these payments, recognizing the remeasurement value of the lease liability as adjustment to the asset of right of use.

## (i) Intangible assets

### Goodwill

Goodwill is the positive difference between the paid for the acquisition of a business and the net fair value of assets and liabilities of the acquired subsidiary. Goodwill in the acquisition of subsidiaries is disclosed in Investments and Intangible Assets caption in financial statements.

The goodwill is maintained at cost value, less possible impairment losses, when applicable, and the accounting test is carried out at least every year. For impairment testing purposes, goodwill acquired in a business combination is, from the acquisition date, allocated to each cash-generating units of the Group that are expected to benefit from the business combination, regardless of other assets or liabilities of the acquiree being allocated to those units.

### Intangible assets with defined useful life

Intangible assets with defined useful lives are carried at cost, less accumulated amortization and accumulated impairment losses, when applicable.

On March 31, 2020 and 2019 the annual weighted average amortization rates are as follows:

| Class of intangible assets | Rates |
|---|---|
| Software license (1) | 20% |
| Brands (2) | 10% |
| Contractual relationships with clients (3) | 7% |
| Agricultural Partnership Agreements (4) | 9% |
| Sugarcane supply agreements (4) | 10% |
| Technology (6) | 10% |

Residual values and the useful lives of material assets are reviewed and adjusted, if adequate, at the end of each year.

**(1) Software license**

Licenses acquired for computer programs are capitalized and amortized over their estimated useful lives by the Group. Expenditures related to maintaining software are recognized as expenses as incurred. The expenditures directly associated with the software, controlled by the Group and economic benefits are expected, exceeding the costs for more than one year, are recognized as intangible assets.

**(2) Brands**

It corresponds to the right of use of the brand Shell, contributed in the formation of Raízen by the shareholder Shell, recognized at historical cost. The brand is amortized on a straight-line basis over the validity of the right.

**(3) Contractual relationships with clients**

This intangible asset class was acquired in the business combination of Raízen Argentina and recognized at fair value on the date of acquisition. It has defined useful life and it is recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected useful life of the client contractual relationship.

**(4) Agricultural partnership and sugarcane supply agreements**

These intangible asset classes were acquired in a business combination were recognized at fair value on the acquisition date. They have a defined useful life and are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected useful life of the supplier and client relationship.

**(5) Technology**

Refers to technology developed by Iogen Corp. to produce second-generation ethanol ("E2G"). This technology is represented by contractual rights including, among others, RESA's exclusive marketing of those rights in the locations where it operates.

## (j) Impairment of non-financial assets:

The Group assesses every year whether there are indicators of an asset's loss of value. In the event such indicators are identified, the Group estimates the asset's recoverable amount. The recoverable value of an asset is the greater among: (a) fair value less costs that would be incurred to sell it, and (b) its value in use. When required, value in use is usually determined based on the discounted cash flow from the continued use of the asset until the end of its useful life.

Regardless of the existence of impairment indicators, goodwill and intangible assets with an indefinite useful life, if any, are annually tested for impairment.

When the book value of an asset exceeds its recoverable value, the loss is recognized as an operating expense in the statement of income.

## (k) Provisions

Provisions are recognized when: (i) The Group has a present legal or non-formalized obligation (constructive obligation) as a result of past events; (ii) it is likely that an outflow of funds will be required to settle the obligation; and (iii) amount may be reliably estimated.

## (l) Employee benefits

The Group has a supplementary pension plan comprised by a defined contribution and partial defined benefit plan for all employees.
Regarding the defined contribution, the expense is recognized in income (when occurred) and defined benefit, the Group recognizes a liability based on a methodology that considers a number of factors determined by actuarial estimates, which employ certain assumptions for defining pension plan costs or (revenue).

Actuarial gains and losses arising from adjustments and changes in actuarial assumptions are stated directly in equity as other comprehensive income, when they occur.

Past costs of services are immediately recognized in the income figures.

## (m) Income tax and social contribution

Revenues (expenses) tax and social contribution expenses of the year include current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent they are related to items directly recognized in equity or comprehensive income, when applicable. In that case, the tax is also recorded in equity or comprehensive income.

The current and deferred income tax and social contribution charge is calculated based on enacted, or substantially enacted, tax acts, at the statement of position date of countries in which the Group's entities operate and generate taxable income. Management periodically evaluates the positions taken by the Group in the calculations of income tax with respect to situations in which applicable tax regulation is subject to interpretations; and establishes provisions when appropriate, based on amounts expected to be paid to the tax authorities.

Income tax is computed on taxable income at the rate of 15%, plus a 10% for income exceeding R$ 240 in the 12-month period, whereas social contribution is computed at the rate of 9% on taxable income, recognized on the accrual basis. That is, on a compound basis, the Group is subject to a theoretical tax rate equivalent to 34%,

Deferred income tax and social contribution in connection with tax losses, social contribution negative bases and temporary differences are shown as net in the statement of financial position when there is a legal right and an intention to offset these on calculation current taxes related with the same legal entity and the same tax authority.

Accordingly, deferred tax assets and liabilities in different entities or countries are in general presented separately, and not netted. Deferred taxes are calculated based on the tax rates in force when they are realized or reviewed annually.

Prepayments or current amounts that can be offset are presented in current and non-current assets, in accordance with their expected realization.

## (n) Capital and remuneration to shareholders

The capital is comprised of common and preferred shares. Incremental expenses attributed directly to share issues, if any, are shown as a deduction from equity, as an additional capital contribution, net of tax effects.

In the parent companies RESA and RCSA, the only existing class A preferred share as well as each common share, is entitled to one vote on resolutions by each company's shareholders' meetings, as well as R$ 0.01 (one centavo) fixed annual dividends. Such voting rights are restricted to subsidiaries and not to the Group.

Class B preferred shares issued by RESA, have no voting rights or intended to refund assets, chiefly represented by tax benefits contributed by shareholders Cosan and Shell respectively, as these are employed by the Group.

Class D preferred shares have no voting rights and are entitled to a fixed annual dividend in RESA as well as in RCSA, to shareholder Shell. Shareholder compensation will take place in the form of dividends and/or interest on own capital, based on the limitations defined in RESA and RCSA company Bylaws and in legislation in force.

Class E preferred shares issued by RESA and RCSA have voting rights and are entitled to a fixed annual dividend to shareholder Shell.

Shareholder compensation will take place in the form of dividends and/or interest on own capital, based on the limitations defined in RCSA company Bylaws and in legislation in force.

**(o) Business combinations**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is equal to the fair value of the assets transferred, liabilities assumed and equity instruments issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are recorded in the statement of income as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Non-controlling interests to be recognized are determined for each acquisition carried out.

The excess of the consideration transferred plus the acquisition-date fair value of any previous ownership interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. For acquisitions in which the Group attributes fair value to non-controlling interests, the determination of goodwill also includes the value of any non-controlling interest in the acquiree, and the goodwill is determined considering the Group's and non-controlling interests. When the consideration transferred is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the statement of profit or loss for the year as bargain purchase.

**(p) Environmental issues**

The group reduces risks in connection with environmental issues by means of operating procedures and controls and investments in equipment and pollution control systems. The Group recognizes a provision for losses with environmental expenditures inasmuch as it is necessary to undertake remedial actions for the damages caused.

## 2.4. Impacts of the new IFRS and IFRIC on combined consolidated financial statements

### 2.4.1 IFRS 16 - Leases

**General Aspects**

IFRS 16 introduces a single model of accounting of leases in the statement of financial position to lessees. A lessee recognizes an asset of rights of use that represents its right to use the leased asset, and lease liabilities that represent its obligation to make lease payments. Optional exemptions were available for short-term leases and low value items. The lessor’s accounting remains similar to the current standard, that is, lessors continue to classify leases as financial or operating leases.

IFRS 16 replaces the existing lease standards, including (IAS 17) Commercial Lease Operations and IFRIC 4, SIC 15 and SIC 27 Complementary Aspects of Commercial Lease Operations and is effective, in the case of Raízen Group, as of April 1, 2019.

Based on such accounting standard, the most significant impact was that the Group recognized new assets and liabilities for its leases, formerly recognized as operating leases, in connection with agricultural leases and partnerships, lease of machinery and agricultural implements, and trucks, lease of gas stations, areas in airports, ships and real estate. In addition, the nature of expenses related to these leases were changed, since IFRS 16 replaced the linear operating lease expense for expenses of amortization of the rights of use and interest on lease liabilities.

**Transition**

The Group opted to adopt the modified retrospective approach, which does not require the restatement of the corresponding amounts, does not affect the equity and allows the adoption of practical expedients. Therefore, the comparative information presented for the prior year was not restated.

In addition, the following main practical expedients were used for the transition to the new requirements of lease accounting: (a) adoption of IFRS 16 to all the agreements signed prior to April 1, 2019 which were identified as leases according to IAS 17 and related interpretations; (b) use of a single nominal discount rate to all the similar agreements; (c) there was no recognition of agreements expiring within the twelve-month period commencing on the date of initial adoption of the standard; and, (d) were considered the past experience in the evaluation of the options of extension of term or rescission, when applicable. As provided by the standard, the Group also did not apply IFRS 16 for the contracts in the indefinite term.

The table below summarizes the first impacts of the adoption of IFRS 16.

| | Disclosed at 03/31/2019 | Initial adoption adjustment to IFRS 16 | Note | Balance at 04/01/2019 |
|---|---|---|---|---|
| Assets | | | | |
| Current assets | | | | |
| Other receivables | 465,288 | (132,997) | | 332,291 |
| Other assets | 19,857,006 | - | | 19,857,006 |
| Total current assets | 20,322,294 | (132,997) | | 20,189,297 |
| Non-current assets | | | | |
| Rights of use | - | 4,484,623 | 17 | 4,484,623 |
| Other assets | 26,238,696 | - | | 26,238,696 |
| Total non-current assets | 26,238,696 | 4,484,623 | | 30,723,319 |
| Total assets | 46,560,990 | 4,351,626 | | 50,912,616 |
| | | | | |
| Liabilities | | | | |
| Current liabilities | | | | |
| Lease liabilities | - | 826,099 | 17 | 826,099 |
| Related parties | 2,881,826 | 134,048 | 11 | 3,015,874 |
| Other liabilities | 12,725,086 | - | | 12,725,086 |
| Total current liabilities | 15,606,912 | 960,147 | | 16,567,059 |
| Non-current liabilities | | | | |
| Lease liabilities | - | 2,804,768 | 17 | 2,804,768 |
| Related parties | 421,048 | 586,711 | 11 | 1,007,759 |
| Other liabilities | 19,141,026 | - | | 19,141,026 |
| Total non-current liabilities | 19,562,074 | 3,391,479 | | 22,953,553 |
| Equity | 11,392,004 | - | | 11,392,004 |
| Total liabilities and equity | 46,560,990 | 4,351,626 | | 50,912,616 |

**2.4.2 IFRIC 23 – Uncertainties in relation to tax treatments**

This interpretation clarifies how to apply recognition and measurement requirements of IAS 12 – Income Taxes in case there is uncertainty on income tax treatments and social contribution on net income. In these circumstances, the entity must recognize and measure its current or deferred tax assets or liabilities by applying requirements of IAS 12, based on taxable income, tax bases, taxable losses not used, tax credits not used, and tax rates, determined in accordance with this interpretation. This interpretation is effective, in the case of the Group, as of April 1, 2019 and no impacts had been identified in connection with such interpretation and which had not been disclosed in the financial statements of the Group.

### 2.4.3 Other information

On April 1, 2019, there were no impacts on the statements of income, comprehensive income, changes in equity, cash flows and as a result of the amendments made to the new IFRS and IFRIC mentioned above.

## 2.5. New IFRS and IFRIC Interpretations (IASB Financial Reporting Interpretations Committee) applicable to financial statements

The effective new standards and interpretations issued by the IASB, but not yet in effect until the date of the issuance of the Group's financial statements, are described below.

The Group intends to adopt these new and amended standards and interpretations, if applicable, when they come into force. The following changed standards and interpretations should not have a significant impact on combined consolidated financial statements of the Group:

- Changes in the references to the conceptual framework in IFRS standards.
- Definition of business (amendments to IFRS 3).
- Definition of materiality (amendments to IAS 1 and IAS 8).

## 3. Cash and cash equivalents

| | Index | Average yield rate 2020 | Average yield rate 2019 | 2020 | 2019 |
|---|---|---|---|---|---|
| Funds in banks and in cash | | | | 4,325,682 | 2,330,582 |
| Values awaiting foreign exchange closure (1) | | | | 1,441,368 | 162,854 |
| Interest earnings bank deposits: | | | | | |
| CDB (Bank deposit certificate) and commitments (2) | CDI | 99.4% | 99.0% | 2,834,610 | 3,246,601 |
| | | | | 2,834,610 | 3,246,601 |
| | | | | 8,601,660 | 5,740,037 |
| Domestic (domestic currency) | | | | 3,071,694 | 3,590,994 |
| Abroad (foreign currency) (Note 27.d) | | | | 5,529,966 | 2,149,043 |
| | | | | 8,601,660 | 5,740,037 |

(1) Refer basically to receiving foreign currency funds from overseas clients, for which obtaining foreign exchange from financial institutions was not yet concluded until the statement of financial position date, and to foreign funds intended to settle debts related to export performance.

(2) Refer to fixed income investments in first-class financial institutions, with daily yield earnings and liquidity.

## 4. Securities

| | Index | Weighted average remuneration 2020 | Weighted average remuneration 2019 | 2020 | 2019 |
|---|---|---|---|---|---|
| Financial Treasury Bills ("LFT") | Selic | 100.0% | 100.0% | 39,145 | 268,413 |
| | | | | 39,145 | 268,413 |

## 5. Restricted cash

| | Index | Weighted average remuneration 2020 | Weighted average remuneration 2019 | 2020 | 2019 |
|---|---|---|---|---|---|
| Financial investments linked to financing (1) | CDI | 100.0% | 100.0% | 50,460 | 57,846 |
| Financial investments linked to derivative operations (2) (Note 27.g) | CDI | 101.0% | 100.3% | 33,178 | 64,830 |
| Margin on derivative operations (3) (Note 27.g) | | | | 127,432 | 153,039 |
| | | | | 211,070 | 275,715 |
| Domestic (domestic currency) | | | | 83,638 | 122,676 |
| Abroad (foreign currency) (Note 27.d) | | | | 127,432 | 153,039 |
| | | | | 211,070 | 275,715 |

(1) Correspond to LFTs (Financial Treasury Bills) with prime banks, held by virtue of National Bank of Economic and Social Development ("BNDES") financing and with redemption subject to payment of certain portions of the mentioned financing.

(2) Refer to investments such as CDBs and overseas public bonds with first-class financial institutions, which are used as collateral provided in transactions with derivative instruments.

(3) Margin deposits in derivative transactions were related to the margin calls at a commodities exchange and were exposed to US dollar fluctuations in derivative transactions.

## 6. Trade accounts receivable

| | 2020 | 2019 |
|---|---|---|
| Domestic (domestic currency) | 1,963,941 | 2,790,186 |
| Abroad (foreign currency) (Note 27.d) | 1,007,285 | 642,922 |
| Other accounts receivable (i) | 477,520 | 636,756 |
| Estimated loss from allowance for doubtful accounts | (151,409) | (194,956) |
| | 3,297,337 | 3,874,908 |
| Current | (2,950,341) | (3,360,364) |
| Non-current | 346,996 | 514,544 |

(i) Other trade accounts receivable substantially consist of the payment in installments of outstanding debts and sales of properties, agreements backed by security interest, pledges and endorsements whose main purpose is the setup or modernization of gas stations.

The Group has no trade notes assigned as collateral. The maximum exposure to credit risk on the statement of financial position date is the book value of each kind of trade accounts receivable.

The aging list of trade accounts receivable is as follows:

| | 2020 | 2019 |
|---|---|---|
| Falling due | 2,704,660 | 3,514,391 |
| Overdue (days): | | |
| Up to 30 | 223,466 | 101,341 |
| 31–90 | 74,878 | 49,688 |
| 91–180 | 56,707 | 32,914 |
| >180 | 389,035 | 371,530 |
| | 3,448,746 | 4,069,864 |

For long overdue receivables with no provision for estimated loss, the Group has real guarantees as mortgage and credit letters.

The estimated loss in allowance for doubtful accounts was calculated based on credit risk analysis, which contemplates loss history, individual situation of clients, situation of the corporate group to which they belong, real guarantees for debts and, when applicable, the assessment of the legal advisors.

Allowance for doubtful accounts is considered sufficient by Management to cover possible losses on amounts receivable; movement is as follows:

| | |
|---|---|
| March 31, 2018 | (212,914) |
| Initial adoption of IFRS 9 | (3,857) |
| April 1, 2018 | (216,771) |
| Reversal of estimated loss, net | 22,266 |
| Effect of foreign currency translation | (451) |
| March 31, 2019 | (194,956) |
| Reversal of estimated loss, net | 41,059 |
| Derecognition upon formation of the joint venture and disposal of subsidiary | 5,648 |
| Effect of foreign currency translation | (3,160) |
| March 31, 2020 | (151,409) |

As of March 31, 2020, the Group had the amount of R$ 239,546 (R$ 96,421 in 2019) recorded in current liabilities, under “Advances from clients” caption, which substantially refer to the receipts from foreign clients for acquisition of sugar and ethanol, as well as prepayments by clients for purchase of fuels. When applicable, accounts receivable and advances from clients are presented net.

## 7. Inventories

| | 2020 | 2019 |
|---|---|---|
| Finished goods: | | |
| Ethanol | 1,110,969 | 638,728 |
| Sugar | 132,233 | 87,471 |
| Diesel (2) | 1,164,450 | 988,596 |
| Gasoline (2) | 1,313,208 | 1,121,636 |
| Aviation fuel (Jet A-1) | 170,112 | 127,967 |
| Other oil by-products (1) | 206,585 | 220,665 |
| Oil (crude oil) | 411,534 | 231,649 |
| Products in process | 266,702 | 204,611 |
| Warehouse and others | 659,377 | 430,514 |
| | 5,435,170 | 4,051,837 |

(1) Substantially refers to inventories of fuel oil, lubricants and asphalt.
(2) As of March 31, 2020, said inventories include the Level 2 fair value measurement, as follows:

| | Cost value | | Fair value | | Income (loss) | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Finished goods: | | | | | | |
| Diesel | 1,279,831 | 990,504 | 1,164,450 | 988,596 | (113,473) | (19,349) |
| Gasoline | 1,394,990 | 1,081,964 | 1,313,208 | 1,121,636 | (121,454) | 40,286 |
| | 2,674,821 | 2,072,468 | 2,477,658 | 2,110,232 | (234,927) | 20,937 |

As of March 31, 2020, inventories are deducted by estimated losses for realization and low turnover and /or obsolescence for BRL 123,978 (BRL 37,057 in 2019). The movement of these losses is shown below and was recognized in the income statement under the item Costs of products sold and services provided:

| | |
|---|---|
| March, 31, 2018 | (23,541) |
| Estimated lossses | (27,180) |
| Reversal of estimated loss, net | 19,370 |
| Business combinations (Note 30) | (6,196) |
| Exchange rate variation | 490 |
| March, 31 2019 | (37,057) |
| Estimated lossses | (118,178) |
| Reversal of estimated loss, net | 35,047 |
| Exchange rate variation | (3,790) |
| March, 31 2020 | (123,978) |

## 8. Recoverable taxes

| | 2020 | 2019 |
|---|---|---|
| ICMS (i) | 1,301,528 | 700,526 |
| PIS and COFINS (ii) | 1,156,003 | 905,320 |
| IVA (iii) | 653,262 | 425,781 |
| Others | 220,622 | 290,635 |
| Estimated loss on realization of taxes (iv) | (28,998) | (28,998) |
| | 3,302,417 | 2,293,264 |
| Current | (2,334,998) | (1,831,187) |
| Non-current | 967,419 | 462,077 |

### (i) ICMS

They arise from interstate operations for the distribution of oil products, in which the tax burden of the destination State is lower than that withheld by the supplier, as per Agreement No. 110/07.
The form of reimbursement is through the formalization of a process with the States, where after the approval of the request, payment is made by the tax substitute, in this case the refinery, by means of credit in a bank account.

Aiming to use ICMS credit balances, the Company frequently reviewing certain activities, particularly the logistical review of operations with changes in supply hubs. Moreover, there are requests for special regimes with certain state tax authorities, requests for authorization to transfer balances between branches within the same state, as well as analysis of sales of credits to third parties.

The ICMS recoverable balance presented in these financial statements reflects the amount that the Company expects to realize, net of the provision for loss of credits for which Management does not expect to realize them.

### (ii) ICMS on the calculation basis of PIS and COFINS

Since the adoption of the non-cumulative PIS and COFINS tax regime, the Group has been legally claiming the right to exclude ICMS from the PIS and COFINS calculation basis. During the year ended March 31, 2020, the Group concluded that the necessary legal assuredness for the recognition of said tax credits was achieved, in light of the fact that certain events occurred that solidified the understanding that the decision of March 15, 2017 by Brazil's Federal Supreme Court ensures the taxpayer's right to exclude ICMS from the PIS and COFINS calculation basis. Management's understanding is supported by legal opinions issued by legal advisors.

Thus, the Group recognized the credits consolidated in the amount of R$ 388,789under Recoverable taxes from certain lawsuits with final and unappealable decisions for the whole period as of 5 years from the date of filing of lawsuits and, in the case of the lawsuits without final and unappealable decisions, the credits as of October 2, 2017, prospectively, as the leading case conclusion providing claim right to taxpayers to cause. These consolidated credits were recognized in the income (loss) for the year in the amount of R$ 329,714.

Consolidated credits for R$ 59,075, whose taxable event precedes the establishment of Raízen, as part of the process of establishment Raízen by Cosan and Shell shareholders in the caption Related parties in non-current liabilities, and shall be refunded as the Group uses them.

**(iii) IVA**

Refers to the federal tax of Argentina applicable to commercial transactions with clients and suppliers, whose taxable event; i.e., the calculation and payment, occurs monthly.

**(iv) Estimated loss on realization of taxes**

The movement in estimated loss on realization of taxes is as follows:

| | |
|---|---|
| March 31, 2018 | (116,729) |
| Reversal of estimated loss, net | 87,731 |
| At March 31, 2019 and 2020 | (28,998) |

During the year ended March 31, 2019, the reversal of estimated loss, net corresponded, mainly, to balances of ICMS in the States of Amazonas and Rondônia, due to final and unappealable judgements of lawsuits in favor of RCSA, as well as the evolution of analysis of the processes conducted by the governments of those States.

## 9. Biological assets

The Group's biological assets correspond to uncut sugarcane cultivated in sugarcane crops that will be used as raw material for production of sugar, ethanol and bioenergy at harvest time.

The cultivated areas represent only sugarcane crops, not considering plots of land where these crops are, which are recognized as Property plant and equipment.

The following assumptions were used in the determination of the fair value:

| | 2020 | 2019 |
|---|---|---|
| Estimated harvest area (hectares) | 436,663 | 435,341 |
| Amount of ATR per hectare | 10.38 | 10.18 |
| Average ATR price per Kg projected (R$/Kg) | 0.61 | 0.62 |

As of March 31, 2020, cash flows were discounted at 5.30% (6.72% in 2019) which is the WACC (Weighted Average Capital Cost) of RESA.

The Group periodically reviews assumptions used to calculate biological assets, adjusting it in case there are significant changes in relation to those previously projected.

Movement in biological assets (sugarcane) is detailed below:

| | 2020 | 2019 |
|---|---|---|
| Balance at the beginning of the year | 813,995 | 947,815 |
| Additions of sugarcane treatments | 731,275 | 694,500 |
| Absorption of harvested sugarcane costs | (707,432) | (577,183) |
| Business combinations (Note 30) | 46,595 | 10,022 |
| Change in fair value | 3,197 | 5,335 |
| Realization of fair value | 9,685 | (266,494) |
| Balance at the ending of the year | 897,315 | 813,995 |

Fair value estimate could increase (decrease) if:

- Estimated ATR price were higher (lower);
- Estimated productivity (tons per hectare and ATR quantity) were higher (lower); and
- Discount rate was lower (higher)

The Company's sugarcane planting operations are exposed to changes from climate changes, pests and diseases, forest fires and other forces of nature.

Weather conditions may historically cause fluctuations in the sugar and alcohol industry and therefore in Group’s operating income because they affect crops by means of increasing or reducing harvests.

## 10. Other financial assets

| | 2020 | 2019 |
|---|---|---|
| Credits from indemnity suits - refundable (1) | 97,852 | 89,916 |
| Credits from indemnity suits - own (2) | 177,629 | 221,373 |
| National Treasury Certificates - CTN (3) | 297,459 | 521,943 |
| Other | 101 | 194 |
| | 573,041 | 833,426 |
| Current | (314,273) | (306,457) |
| Non-current | 258,768 | 526,969 |

(1) Receivables from legal disputes on which a final judgment favorable to RESA was taken, which were not part of the net assets contributed by Cosan to set up the Group. Therefore, RESA recognized a liability in the same amount, classified as current and non-current liabilities in the related parties’ caption, given that RESA has the obligation to reimburse those receivables to Cosan when they are actually collected. These credits yield IPCA-E (Special Amplified Consumer Price Index) and Selic rate change plus annual interest of 6% as applicable.

(2) Receivables from a final and unappealable judgment in favor of Raízen Araraquara, a subsidiary of RESA, relating to the lawsuit of the Instituto do Açúcar e do Álcool ("IAA") against the Federal Government, filed by Copersucar in 1990. The lawsuit involves the awarding of compensation for losses caused to the mills by the Federal Government when setting prices below market prices. In the year ended March 31, 2020, RESA received R$ 43,744 in Refundable credit from indemnity suits. During the year ended March 31, 2019, RESA recognized credits of this nature in the amount of R$ 221,373, recognized in income (loss) for that year under Other operating revenues, net (Note 25).

(3) Brazilian Treasury Certificates are government bonds issued by the Brazilian Treasury within the Special Agriculture Industry Securitization Program - PESA, with a 20-year original maturity (falling due between 2019 and 2025) and which pledged to secure its related financing transaction called PESA. These bonds bear annual compound interest of 12%, plus the IGP-M (General Market Price Index). Their value on maturity date tends to be equivalent to the principal value of the debt due under PESA and may be used for settlement. During the year ended March 31, 2020, RESA redeemed R$ 271,844 (R$ 380,984 in 2019) for PESA's partial settlement.

## 11. Related parties

### (a) Summary of related party balances

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| **Assets classification per currency:** | | |
| Domestic (domestic currency) | 1,867,202 | 2,005,858 |
| Abroad (foreign currency) (Note 27.d) | 185,541 | 310,839 |
| | 2,052,743 | 2,316,697 |
| **Framework agreement (1)** | | |
| Shell Brazil Holding B.V. | 895,150 | 895,817 |
| Cosan S.A. | 637,517 | 628,593 |
| Shell Brasil Petróleo Ltda. | 63,607 | 63,465 |
| Other | 11,042 | 9,024 |
| | 1,607,316 | 1,596,899 |
| **Commercial and administrative operations (2)** | | |
| Rumo Group | 112,529 | 152,926 |
| Nova América Agrícola Caarapó Ltda. | 614 | 110,952 |
| Shell Group | 213,040 | 289,311 |
| Agroterenas S.A. | 36,210 | 34,948 |
| Raízen and Wilmar Sugar Pte. Ltd. | 2,189 | 56,047 |
| Other | 80,845 | 73,951 |
| | 445,427 | 718,135 |
| **Corporate restructuring** | | |
| Geo Energética Participações S.A. | - | 1,663 |
| | - | 1,663 |
| | 2,052,743 | 2,316,697 |
| Current assets | (787,819) | (962,937) |
| Non-current assets | 1,264,924 | 1,353,760 |

| | 2020 | 2019 |
|---|---|---|
| **Liabilities** | | |
| **Classification of liabilities per currency:** | | |
| Domestic (domestic currency) | 1,777,582 | 1,011,137 |
| Abroad (foreign currency) (Note 27.d) | 757,719 | 2,291,737 |
| | 2,535,301 | 3,302,874 |
| **Framework agreement (1)** | | |
| Cosan S.A. | 530,472 | 458,507 |
| Shell Brasil Petróleo Ltda. | 137,269 | 118,039 |
| Shell Brazil Holding B.V. | 58,922 | 32,891 |
| Other | 13,759 | 1,282 |
| | 740,422 | 610,719 |
| **Financial operations** | | |
| Shell Finance (Netherlands) B.V. | 3,354 | 2,478 |
| Cosan S.A. | 2,851 | 2,106 |
| Sapore S.A. | 5 | 5 |
| | 6,210 | 4,589 |
| **Commercial and administrative operations (2)** | | |
| Raízen and Wilmar Sugar Pte. Ltd. | 622 | 79,967 |
| Shell Group (l) | 745,279 | 250,803 |
| Agroterenas S.A. | 34,217 | 15,703 |
| Nova América Agrícola Caarapó Ltda. | - | 19,464 |
| Nova América Agrícola Ltda. | 14,789 | 9,769 |
| Other | 83,124 | 55,945 |
| | 878,031 | 431,651 |
| **Preferred shares (3)** | | |
| Shell Brazil Holding B.V. | 166,329 | 290,809 |
| Cosan S.A. | 3,745 | 5,161 |
| | 170,074 | 295,970 |
| **Purchase of ownership interest (4)** | | |
| B. V. Dordtsche Petroleum Maatschappij (“DPM”) | - | 553,342 |
| Shell Overseas Investments B.V. (“SOI”) | - | 1,406,603 |
| | - | 1,959,945 |
| **Lease liabilities (5)** | | |
| Radar Propriedades Agrícolas S.A. | 146,736 | - |
| Aguassanta Agrícola S.A. | 143,546 | - |
| Nova Agrícola Ponte Alta S.A. | 108,040 | - |
| Nova Amaralina S.A. Propriedades Agrícolas | 55,805 | - |
| Jatobá Propriedades Agrícolas Ltda. | 65,563 | - |
| Terrainvest Propriedades Agrícolas S.A. | 52,932 | - |
| Other | 167,942 | - |
| | 740,564 | - |
| | 2,535,301 | 3,302,874 |
| Current liabilities | (1,494,946) | (2,881,826) |
| Non-current liabilities | 1,040,355 | 421,048 |

**(1) Framework agreement**

The amounts recorded in assets and liabilities refer to recoverable or refundable balances of Raízen shareholders, since they are related to the period prior to the formation of Raízen.

**(2) Commercial and administrative operations**

On March 31, 2020 and 2019, the sum stated in assets refers to transactions for the sale of goods, such as gasoline, diesel, jet fuel, sugar and ethanol.

As of March 31, 2020 and 2019, the amount recorded in liabilities substantially refers to the business operations of purchase of products and rendering of services (freights and warehousing), as well as advances from clients to sugar export.

**(3) Preferred shares**

Mostly tax benefits to reimburse Shell and Cosan, when effectively utilized by the Group, determined based on NOLs and tax benefits on goodwill amortization ("GW") from prior years before the Raízen Group's formation. Reimbursement shall occur through distribution of disproportionate dividends and/or capital decrease to holders of B and E class preferred shares (liability financial instrument).

During the year ended in March 31, 2020, RESA proposed the allocation of R$ 1,416 of dividends to the holders of Class B preferred shares. See Note 22.a.1.

At the Special Shareholders' Meeting ("AGE") held on September 5, 2019, the RCSA's shareholders approved the redemption of Class E preferred shares in the amount of R$ 129,412. See Note 22.a2.

**(4) Purchase of ownership interest**

During the year ended March 31, 2020, RCSA fully paid the remaining amounts due to SOI and DPM, in the amount of R$ 2,054,650 (R$ 1,829,161 were paid in 2019), for the acquisition of the downstream business of the Shell Group in Argentina.

As of March 1, 2019, RCSA designated part of this amount to be paid as a hedge of net investment in foreign entity. During the year ended march 31, 2020, RCSA classified the exchange variation of this payables directly to the equity up to the date of the effective settlement, for R$ 15,071 (R$ 54,235 in 2019) both negative as result of the exchange rate. As of march 31, 2020 the total balance being represented in the equity is R$ 69,306 (R$ 54,235 in 2019)

**(5) Lease liabilities**

The movement in lease liabilities during the period ended by March 31, 2020 is as follows:

| | |
|---|---|
| March 31, 2019 | - |
| Initial adoption of IFRS 16 (Nota 2.4.1) | 720,759 |
| April 1, 2019 | 720,759 |
| Additions | 29,190 |
| Payments | (19,093) |
| Write-offs | (145,737) |
| Interest | 63,719 |
| Remeasurements (1) | 91,726 |
| March 31, 2020 | 740,564 |
| Current | (177,619) |
| Not current | 562,945 |

(1) Remeasurements it is mainly related to the agriculture lease and partnership contracts (CONSECANA´s index variation).

## (b) Summary of related-party transactions (12)

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Sale of products** | | | |
| Raízen and Wilmar Sugar Pte. Ltd. | 299,713 | 1,384,680 | 2,223,935 |
| Rumo Group (6) | 1,213,317 | 1,231,065 | 1,055,243 |
| Agricopel Group (10) | 851,755 | 841,983 | 718,136 |
| Shell Group (k) | 2,495,025 | 1,809,489 | 1,168,151 |
| Other | 83,564 | 70,614 | 60,616 |
| | 4,943,374 | 5,337,831 | 5,226,081 |
| **Purchase of goods and services (5)** | | | |
| Shell Group (11) | (4,867,104) | (2,587,793) | (2,740,741) |
| Rumo Group (6) | (449,133) | (478,852) | (533,235) |
| Agroterenas S.A. | (348,099) | (252,940) | (271,178) |
| Nova América Agrícola Ltda. | (173,266) | (163,433) | (169,119) |
| Nova América Agrícola Caarapó Ltda. | (169,863) | (184,306) | (139,572) |
| Agricopel Group | (94,464) | (89,499) | (56,970) |
| Other | (167,564) | (132,827) | (90,131) |
| | (6,269,493) | (3,889,650) | (4,000,946) |
| **Renewed collection of shared expenses (1)** | | | |
| Comgás - Companhia de Gás de São Paulo | 32,703 | 34,952 | 33,868 |
| Rumo Group (6) | 35,299 | 28,716 | 26,969 |
| Cosan Lubrificantes e Especialidades S.A. | 7,406 | 6,596 | 6,801 |
| Other | 8,544 | 6,449 | 7,527 |
| | 83,952 | 76,713 | 75,165 |
| **Land leases** | | | |
| Radar Group (7) | - | (72,179) | (78,069) |
| Janus Brasil Participação S.A. | - | (29,397) | (31,224) |
| Tellus group (8) | - | (22,299) | (24,322) |
| Aguassanta Group (9) | - | (12,134) | (11,625) |
| Barrapar Participações S.A. | - | (21) | (64) |
| | - | (136,030) | (145,304) |
| **Net financial income (expenses) (2)** | | | |
| Cosan S.A. | 7,141 | (6,280) | (7,837) |
| Shell Group (11) | 17,687 | 13,053 | (12,763) |
| Nova América Agrícola Caarapó Ltda. | 4,153 | 7,044 | 8,257 |
| SOI and DPM | (81,038) | 73,147 | - |
| Other | (60,901) | 1,590 | 22,519 |
| | (112,958) | 88,554 | 10,176 |
| **Revenues from services (3)** | | | |
| Shell Group (11) | 7,047 | 14,526 | 7,210 |
| Agricopel Group | 2,373 | 177 | 4,422 |
| Other | 1,111 | 10 | 6 |
| | 10,531 | 14,713 | 11,638 |
| **Service expenses (4)** | | | |
| Shell Group (11) | (25,995) | (24,394) | (21,182) |
| Other | (912) | (9) | (1,264) |
| | (26,907) | (24,403) | (22,446) |

(1) Reimbursement of shared expenses consists of expenses incurred by shared corporate, managerial and operating costs reimbursed from related parties.

(2) Financial expenses basically consist of expenses incurred with commissions on available credit facilities and restatement of balances of advances granted to finance sugar cane crops as well as the foreign exchange rate of commercial activities from imports and sales of fuel and interest and exchange-rate change and adjustment to present value on balance payable to SOI and DPM for the acquisition of Raízen Argentina.

(3) They refer mainly to commission on the sales of lubricants to Shell and shared expenses consists of expenses incurred by shared corporate, managerial and operating costs reimbursed from its subsidiaries.

(4) Service expenses consist of expenses incurred with technical support, billing and collection, commissions on the sale of jet fuel and secondees from Shell.

(5) Group's purchase transactions from Shell Trading US Company are substantially represented by those originated from imports of ethanol and its by-products in foreign market.

(6) The term Rumo Group refers to the railway and port operations represented by the companies Rumo S.A., Elevações Portuárias S.A., Logispot Armazéns Gerais S.A., Rumo Malha Sul S.A., Rumo Malha Oeste S.A., Rumo Malha Paulista S.A., Rumo Malha Norte S.A., Rumo Malha central S.A. ALL América Latina Logística Rail Management, Portofer Transporte Ferroviário Ltda. and Brado Logística S.A.
(7) The term Radar Group refers to the purchase, sale and rental of own properties, represented mainly by the companies Radar Propriedades Agrícolas S.A., Nova Agrícola Ponte Alta S.A., Nova Amaralina S.A., Bioinvestiments Negócios e Participações S.A. and Proud Participações S.A..
(8) The term Tellus Group refers to the purchase, sale and rental of own properties, represented mainly by the companies Tellus Brasil Participações S.A., Terrainvest Propriedades Agrícolas S.A. and Agrobio Investimentos e Participações S.A..
(9) The term Aguassanta Group refers to the purchase, sale and rental of own properties, represented mainly by the companies Aguassanta Participações S.A., Santa Bárbara Agrícola S.A., Aguassanta Agrícola Ltda., Aguapar Agrícola Ltda. and Palermo Agrícola S.A..
(10) The term Agricopel Group refers to the trading of fuel presented mainly by the companies Agricopel Comércio de Derivados de Petróleo Ltda. and Posto Agricopel Ltda., Agricopel Diesel Paraná Ltda, Blue Adm Administração de Bens Ltda., whose relationship occurs through FIX Investimentos Ltda., which is the non-controlling shareholder of Mime.
(11) The term Shell Group refers to commercial operations, mainly by the companies Shell Aviation Limited and Shell Trading US Company.
(12) Transactions with related parties are entered into under reasonable and cumulative conditions, in line with those prevailing in the market or that the Group would contract with third parties.

## (c) Directors and members of the Board of Directors

Fixed and variable remuneration pay to Group's key personnel, including statutory officers and members of the Board of Directors, recognized in the statement of profit or loss for the year ended March 31, 2020, 2019 and 2018 is as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Regular remuneration | (56,911) | (55,341) | (51,401) |
| Bonuses and other variable remuneration | (50,760) | (35,521) | (39,489) |
| Total remuneration | (107,671) | (90,862) | (90,890) |

## (d) Other significant information involving related parties

***Revolving Credit Facility***
The Group has a credit facility agreement in the total amount of US$ 700,000 thousand, not used until the issuance of this combined consolidated financial statements, as follows:

| Beneficiary | Institution | Amount in USD | Maturity |
|---|---|---|---|
| RCSA | Shell Finance (Netherlands) B.V. and Cosan S.A. | 700,000 | May 2025 |

## 12. Assets from contracts with clients

Refers to bonuses granted to RCSA's clients and depends on terms and future performance, in particular of the volumes as provided in supply agreements. Inasmuch as contractual conditions are met, bonuses are amortized and recognized in Net revenue (Note 23).

| | 2020 | 2019 |
|---|---|---|
| Balances in the beginning of the period | 2,429,779 | 2,205,778 |
| Additions | 627,888 | 676,504 |
| Amortization: | (505,769) | (452,503) |
| Effect of foreign currency translation | 15,267 | - |
| Balances at ended of the period | 2,567,165 | 2,429,779 |
| Current | (475,305) | (429,718) |
| Non-current | 2,091,860 | 2,000,061 |

## 13. Investments

| | | | | Investments (1) | | Equity accounting result | | |
|---|---|---|---|---|---|---|---|---|
| | Country | Business | Equity interest percentage | 2020 | 2019 | 2020 | 2019 | 2018 |
| Book value | | | | | | | | |
| Joint ventures | | | | | | | | |
| Rede Integrada de Lojas de Conveniência e Proximidade S.A. | Brazil | Convenience stores and proximity | 50.00% | 194,413 | - | 11,817 | - | - |
| Raízen and Wilmar Sugar Pte. Ltd. | Singapore | Trading | 50.00% | 47,924 | 35,601 | 845 | 19,012 | 12,735 |
| Associated companies | | | | | | | | |
| Centro de Tecnologia Canavieiras S.A. (“CTC”) | Brazil | R&D | 19.58% | 123,556 | 116,717 | 7,711 | 4,651 | 2,863 |
| Logum Logística S.A. | Brazil | Logistics | 30.00% | 309,550 | 314,269 | (25,389) | (19,399) | (29,521) |
| Uniduto Logística S.A. | Brazil | Logistics | 46.48% | 47,550 | 48,709 | (4,373) | 26,723 | (7,500) |
| Termap S.A. | Argentina | Maritime terminal | 3.50% | 360 | 268 | - | - | - |
| Latitude Logística Portuária S.A. | Brazil | Port activities | 50.00% | 4,384 | - | - | - | - |
| Navegantes Logística Portuária S.A. | Brazil | Port activities | 33,33% | 8,548 | - | - | - | - |
| Nordeste Logistica I S.A. | Brazil | Port activities | 33,33% | 180 | - | - | - | - |
| Nordeste Logistica II S.A. | Brazil | Port activities | 33,33% | 2,433 | - | - | - | - |
| Nordeste Logistica III S.A. | Brazil | Port activities | 33,33% | 2,329 | - | - | - | - |
| | | | | 741,227 | 515,564 | (9,389) | 30,987 | (21,423) |
| Appreciation of assets, net assigned | | | | | | | | |
| At Rede Integrada de Lojas de Conveniências e Proximidade S.A. (Note 13.b) | | | | 526,361 | - | (6,401) | - | - |
| Investment goodwill (2) | | | | | | | | |
| Uniduto Logística S.A. | | | | 5,676 | 5,676 | - | - | - |
| Centro de Tecnologia Canavieira S.A. | | | | 51,946 | 51,946 | - | - | - |
| | | | | 57,622 | 57,622 | - | - | - |
| Total investments | | | | 1,325,210 | 573,186 | (15,790) | 30,987 | (21,423) |

(1) Investments assessed under the equity accounting result; and,
(2) Goodwill on the purchase and transfer of shares.

The movement in the investments in jointly-owned subsidiaries and associated companies is as follows:

| | |
|---|---|
| Balance at March 31, 2018 | 346,461 |
| Equity accounting result | 30,987 |
| Additions | 26,793 |
| Revaluation | 241,259 |
| Reductions | (75,738) |
| Other | 3,424 |
| Balance at March 31, 2019 | 573,186 |
| Equity accounting result | (15,790) |
| Additions (Note 13.b) | 41,746 |
| Gain in the formation of the joint venture (Note 13.b) | 719,488 |
| Dividends | (5,164) |
| Other | 11,744 |
| Balance at March 31, 2020 | 1,325,210 |

**(a) Summarized financial information on investments, considering adjustments to equity accounting result, when applicable.**

- March 31, 2020

| | Logum Logística S.A. (1)/(2) | Uniduto Logística Ltda. (1)/(2) | Centro de Tecnologia Canavieira S.A. (2)/(4) | Iogen Energy Corporation (3) | Raízen and Wilmar Sugar PTE Ltd. (4) |
|---|---|---|---|---|---|
| Assets | 2,355,141 | 103,219 | 811,416 | 59,421 | 542,186 |
| Liabilities | (1,323,309) | (908) | (180,386) | (536,080) | (446,339) |
| Equity | 1,031,832 | 102,311 | 631,030 | (476,659) | 95,847 |
| Year ended March 31, 2020 | | | | | |
| Net operating revenue | 173,415 | - | 227,341 | - | 2,112,914 |
| Net income/(loss) | (84,630) | (8,486) | 39,481 | (1,148) | 1,690 |

- March 31, 2019

| | Logum Logística S.A. (1)/(2) | Uniduto Logística Ltda. (1)/(2) | Centro de Tecnologia Canavieira S.A. (2)/(4) | Iogen Energy Corporation (3) | Raízen and Wilmar Sugar PTE Ltd. (4) |
|---|---|---|---|---|---|
| Assets | 2,101,565 | 104,814 | 789,042 | 29,267 | 593,148 |
| Liabilities | (1,054,003) | (7) | (192,949) | (296,033) | (521,946) |
| Equity | 1,047,562 | 104,807 | 596,093 | (266,766) | 71,202 |
| Year ended March 31, 2019 | | | | | |
| Net operating revenue | 169,620 | - | 180,452 | - | 2,082,119 |
| Net income/(loss) | (99,780) | (1,288) | 23,730 | (909) | 38,272 |

(1) The fiscal year of these investees ends on December 31.

(2) Significant influence over these companies has been defined, mainly, based on the Group's right to elect key management personnel and to decide on their significant operational and some strategic issues.
(3) Jointly controlled entity in which the Group participation is 50% in common shares, whose fiscal year ends on August 31. RESA did not form an estimated loss for shareholders' deficit of loss of equity accounting result, given that it has no legal or constructive obligations to make payments on account of that company.
(4) The fiscal year of these investees ends on March 31.
(5) Income from the formation of the joint venture.

## (b) Investment transactions occurred in the year ended March 31, 2020

### (i) Additions to investment

Capital increase in Logum Logística S.A. (“Logum”)

In the year ended March 31, 2020, capital increases were resolved, approved and subscribed totaling R$ 68,900. The sum underwritten by RESA in these transactions totaled R$ 20,670, fully paid-in in current account.

In these operations, there were no changes in the percentage of interest in capital of the investee, since all shareholders effected capital contributions in proportion to their existing holding.

Capital increases in Uniduto Logística S.A. (“Uniduto”)

In the year ended March 31, 2020, capital increases were resolved, approved and subscribed totaling R$ 6,890. The sum underwritten by RESA in these transactions totaled R$ 3,202, fully paid-in in current account.

In these operations, there were no changes in the percentage of interest in capital of the investee, since all shareholders effected capital contributions in proportion to their existing holding.

Share subscription in new logistics entities

During the year ended March 31, 2020, the shares were subscribed in new entities whose business purpose comprises port exploration and logistics, in the amount of R$ 17,874, paid in November 2019.

Establishment of Rede joint venture (“JV Rede”)

- Description

On August 6, 2019, RCSA and Raízen Conveniências entered into a Share & Purchase and Investment Agreement with FEMCO, which provides for the terms and conditions for the acquisition of ownership at Raízen Conveniências by FEMCO, as well as the establishment of a joint venture in Brazil to expand the “Shell Select” brand convenience store franchise business and to develop the business of proximity stores outside the gas stations under the “OXXO” brand.

The transaction took place on November 01, 2019, when RCSA and FEMCO became shareholders of Raízen Conveniências, currently called Rede, at a proportion of 50/50 of the share capital.

- Economic and financial valuation

The Enterprise Value considered was R$ 1,438,976, based on the assumption of the acquisition of ownership interest in a company free of any debt or cash, and the capital increase, approved in the EGM held on October 31, 2019 by FEMCO, in the amount of R$ 323,928.

- Accounting effects

As a result of this transaction, RCSA recognized R$ 406,330 corresponding to the cash receipt of R$ 39,627 paid by FEMCO, R$ 316,012 of which related to the amounts owed by FEMCO, where Raízen made the sale of the receivable irrevocably, irreversibly and without right of recourse for a financial institution (cash effect of R$ 297,239), and R$ 50,691 related to the installment payment failing due in 2022, which is recorded under the caption Other credits, net of the adjustment to present value of R$ 5,233, totaling R$ 45,458. Also, RCSA recognized – in Income (loss) for the year, under the heading of Other Operating revenues, net (Note 25), gains related to the dilution of shareholdings, disposal of shares and the fair value in the formation of the JV Rede, in the amounts of R$ 240,529, R$ 305,423 and R$ 532,762, respectively.

Considering the absence of specific guidelines on how to account for assets contributed to the formation of a joint venture that meet the business definition provided for by IFRS 3, RCSA's accounting policy recognizes the assets contributed at their fair value on the joint venture formation date.

During the year ended March 31, 2020, RCSA concluded the allocation of the fair value of the formation of the referred joint venture as follows:

| Movement | Annual amortization rate | Amount |
|---|---|---|
| Enterprise value of JV Rede | | 1,438,976 |
| Recognition of interest retained by RCSA | | 719,488 |
| Write-off of book value due to loss of control | | (186,726) |
| Gain from remeasurement of investment at fair value | | 532,762 |
| | | |
| Allocation of fair value in the proportion of 50% | | |
| Relationship with vendors | 3.9% | 173,353 |
| Relationship with franchisees | 5.7% | 140,034 |
| Relationship with licensees | 15.6% | 3,216 |
| | | 316,603 |
| Unallocated fair value | | 216,159 |
| | | |
| Surplus assigned and fair value of JV Rede | | 532,762 |
| | | |
| Amortizations in the year | | (6,401) |
| | | |
| Balance of surplus and fair value of JV Rede | | 526,361 |

The derecognized assets and liabilities of the former subsidiary Rede due to the loss of control of RCSA in the consolidated statement of financial position were as follows:

| Captions | Amount |
|---|---|
| Cash and cash equivalents | 340,154 |
| Accounts receivable | 50,929 |
| Deferred taxes (Note 19.d) | 1,164 |
| Rights of use (Note 17.a) | 522 |
| Property, plant and equipment (Note 14) | 1,637 |
| Intangible assets (Note 15) | 10,928 |
| Lease liabilities (Note 17.b) | (645) |
| Payroll and related charges payable | (4,259) |
| Income taxes and contribution payable | (6,480) |
| Taxes payable | (3,888) |
| Provision for legal disputes (Note 20) | (350) |
| Other liabilities, net | (15,203) |
| Net effect from derecognition of financial assets and liabilities | 374,509 |
| Effect from derecognition of cash in operation: | |
| Cash and cash equivalents | 340,154 |
| FEMCO's capital increase was carried out on October 31, 2019. | (323,928) |
| Total derecognition of cash | 16,226 |

The following table summarizes the final information of JV Rede as included in its own financial statements, adjusted for fair value adjustments at formation of the JV and differences in accounting policies. The table also reconciles the summarized financial information to the carrying amount of RCSA interest in JV Rede:

| | 2020 | 2019 |
|---|---|---|
| Net operating revenue | 125,290 | 115,059 |
| Net income for the year | 70,832 | 68,594 |
| Comprehensive income (loss) for the year | 70,832 | 68,594 |
| Current assets | 417,264 | 76,776 |
| Non-current assets | 17,650 | 15,574 |
| Current liabilities | (42,889) | (38,713) |
| Non-current liabilities | (1,431) | (347) |
| **Net assets** | 390,594 | 53,290 |
| Percentage ownership interest | 50% | 100% |
| Equity interest in net assets in the beginning of the year | 51,567 | 97,550 |
| Equity interest in comprehensive income (loss) | 50,395 | 68,594 |
| Dividends received | (45,018) | (163,697) |
| Equity interest in net assets in the end of the year | 194,413 | 53,285 |
| Surplus of assets and fair value revaluation | 532,762 | - |
| Amortization in the year | (6,401) | - |
| **Carrying amount of interest in JV Rede** | **720,774** | **51,567** |

## (c) Investment transactions occurred in the year ended March 31, 2019

### (i) Additions to investment

Capital increase at Logum

In the year ended March 31, 2019, capital increases were resolved, approved and subscribed totaling R$ 104,400. The sum underwritten by RESA in these transactions totaled R$ 20,880, fully paid-in in cash.

In these operations, there were no changes in the percentage of interest in share capital of the investee, since all shareholders effected capital contributions in proportion to their existing holding.

Capital increases at Uniduto

In the year ended March 31, 2019, capital increases were resolved, approved and subscribed totaling R$ 10,440. The sum underwritten by RESA in these transactions totaled R$ 4,852, fully paid-in in cash.

In these operations, there were no changes in the percentage of interest in capital of the investee, since all shareholders effected capital contributions in proportion to their existing holding.

CTC's capital increase

During the CTC's Board of Directors' Meeting held on December 14, 2018 a R$ 5,652 capital increase in CTC was approved, without an issue of new shares. On February 6, 2019, the capital increase was paid in and ratified by the Board of Directors. Accordingly, RESA recognized an investment of R$ 1,061, according to the interest held by it.

### (ii) Revaluation of investment

As of March 31, 2019, according to accounting annual evaluation of investment recoverability at Logum, RESA reversed estimated impairment losses, previously recorded, in the amount of R$162,384, being (a) R$131,792 in income (loss) for the year under "Other operating revenues, net" caption (Note 25), referring to direct interest in Logum, and (b) R$30,592 under "Equity accounting result" caption, referring to RESA's indirect interest in Logum via associated company Uniduto.

During the year ended March 31, 2019, Logum obtained capital contributions from the shareholders, completed its corporate restructuring process and contracted a long-term loan. These main factors allowed Logum to implement and develop Phase I of the project, by balancing the capacity to collect and deliver fuels and having access to the largest consumer center in the country, the metropolitan region of São Paulo. Furthermore, Logum negotiated supply agreements and signed contracts to use Transpetro's infrastructure with Petrobras. Thus, the current infrastructure of the project is the backbone of the next business plan stages, which will increase volumes as system gains capillarity, connecting ethanol producers and consumers.

These factors and assumptions were considered sufficient and resulted in a positive cash flow projection for the project, higher than the investment's accounting balances.

Moreover, upon completion of the corporate restructuring, RESA obtained an additional shareholding from a former shareholders of Logum, generating a gain from ownership interest of R$ 109,467, recognized in the statement of profit (loss) for the year under “Other net operating revenues” (Note 25).

At the end of these operations, RESA started to hold direct and indirect ownership interest of 30% and 34.65%, respectively, in Logum (20.81% and 25.65% in 2018).

**(iii) Decreases in investment**

Capital decrease to be paid-up at Logum and Uniduto

On December 27, 2018, as a result of the agreed corporate restructuring, the shareholders decided to cancel the subscribed but not paid-in capital in Logum. Accordingly, RESA recognized a reduction of R$ 61,457 in its investment, whose impacts were recorded under the caption Related parties.

Furthermore, the capital to be paid by RESA in Uniduto for the indirect interest in Logum was also canceled, representing a reduction in RESA's investment in Uniduto, in the amount of R$ 14,281, whose impacts were recorded under the caption Related parties.

## 14. Property, plant and equipment

| | March 31, 2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Lands and rural properties | Buildings | Machinery, equipment and facilities | Aircrafts, vessels and vehicles | Furniture, fixtures and IT equipment | Works in progress | Frequently replaced parts | Sugarcane planting | Other | Total |
| Cost: | | | | | | | | | | |
| March 31, 2019 | 1,105,625 | 2,795,393 | 12,528,752 | 725,985 | 274,316 | 1,083,522 | 1,245,182 | 5,638,459 | 42,470 | 25,439,704 |
| Additions | - | 9,693 | 44,814 | 644 | 1,189 | 1,280,671 | 786,640 | 718,173 | 29,726 | 2,871,550 |
| Business combinations (Note 30) | 4,660 | 83,526 | 213,251 | 70,443 | 6,874 | - | - | 335,674 | 328 | 714,756 |
| Write-offs | (99,121) | (28,557) | (105,970) | (36,294) | (5,126) | - | - | - | (7,200) | (282,268) |
| Estimated loss, net and others (Note 25) | - | 1 | (1,653) | (342) | (940) | - | - | - | | (2,934) |
| Write-off by disposal of subsidiary | - | (32,907) | (115,323) | (17,825) | (1,873) | - | - | - | - | (167,928) |
| Derecognition upon formation of the joint venture (Note 13) | | (197) | (1,231) | - | (766) | (70) | - | - | - | (2,264) |
| Transfers (1) | 9,711 | 186,984 | 610,180 | 40,389 | 18,441 | (929,426) | - | (72) | (19,143) | (82,936) |
| Effect of foreign currency translation and other | 175,260 | 189,509 | 703,973 | 4,076 | 5,876 | 75,026 | - | - | 855 | 1,154,575 |
| Transfer between cost and depreciation | - | - | - | - | - | - | (648,617) | - | - | (648,617) |
| March 31, 2020 | 1,196,135 | 3,203,445 | 13,876,793 | 787,076 | 297,991 | 1,509,723 | 1,383,205 | 6,692,234 | 47,036 | 28,993,638 |
| Accumulated depreciation: | | | | | | | | | | |
| March 31, 2019 | - | (553,173) | (4,291,658) | (360,814) | (157,385) | - | (648,023) | (4,056,632) | (37,554) | (10,105,239) |
| Depreciation for the year | - | (114,586) | (849,481) | (59,115) | (32,022) | - | (692,423) | (439,979) | (4,350) | (2,191,956) |
| Write-offs | - | 19,852 | 74,502 | 33,179 | 4,258 | - | - | - | 5,251 | 137,042 |
| Business combinations (Note 30) | - | (19,190) | (71,872) | (28,548) | (3,121) | - | - | (136,940) | - | (259,671) |
| Write-off by disposal of subsidiary | - | 3,652 | 40,181 | 9,164 | 1,700 | - | - | - | - | 54,697 |
| Derecognition upon formation of the joint venture (Note 13) | | 3 | 351 | - | 273 | - | - | - | - | 627 |
| Transfers (1) | - | (56) | 374 | (180) | (2) | - | - | - | - | 136 |
| Effect of foreign currency translation and other | - | (16,686) | (100,199) | 244 | (1,228) | - | - | - | - | (117,869) |
| Transfer between cost and depreciation | - | - | - | - | - | - | 648,617 | - | - | 648,617 |
| March 31, 2020 | - | (680,184) | (5,197,802) | (406,070) | (187,527) | - | (691,829) | (4,633,551) | (36,653) | (11,833,616) |
| Net residual value: | | | | | | | | | | |
| March 31, 2020 | 1,196,135 | 2,523,261 | 8,678,991 | 381,006 | 110,464 | 1,509,723 | 691,376 | 2,058,683 | 10,383 | 17,160,022 |
| March 31, 2019 | 1,105,625 | 2,242,220 | 8,237,094 | 365,171 | 116,931 | 1,083,522 | 597,159 | 1,581,827 | 4,916 | 15,334,465 |

(1) As of March 31, 2020, the net transfer in the amount of R $ 82,800, includes: (a) transfer to intangible assets, in the amount of R$ 65,419, and refers to amounts transferred to the item Other obligations, corresponding to the reduction of the provision for removal of tanks, in the amount of R $ 17,381

| | As of March 31, 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Lands and rural properties | Buildings | Machinery, equipment and facilities | Aircrafts, vessels and vehicles | Furniture, fixtures and IT equipment | Works in progress | Frequently replaced parts | Sugarcane planting | Other | Total |
| Cost: | | | | | | | | | | |
| March 31, 2018 | 595,759 | 1,914,301 | 9,998,537 | 700,874 | 233,300 | 754,997 | 1,245,902 | 4,976,918 | 41,306 | 20,461,894 |
| Additions | 30,841 | 5,526 | 59,067 | 1,217 | 4,817 | 1,089,068 | 664,581 | 640,521 | (5) | 2,495,633 |
| Business combinations (3) | 498,005 | 666,754 | 2,115,898 | 9,931 | 8,009 | 308,291 | - | 21,020 | - | 3,627,908 |
| Write-offs | (44,154) | (12,635) | (224,805) | (38,799) | (32,187) | (584) | - | - | (4,142) | (357,306) |
| Estimated loss, net and others (2) | - | 1,161 | 11,592 | (229) | 1,490 | - | - | - | - | 14,014 |
| Transfers (1) | 38,794 | 237,605 | 631,085 | 53,077 | 58,870 | (1,061,695) | - | - | 5,311 | (36,953) |
| Effect of foreign currency translation | (13,620) | (17,319) | (62,622) | (86) | 17 | (6,555) | - | - | - | (100,185) |
| Transfer between cost and depreciation | - | - | - | - | - | - | (665,301) | - | - | (665,301) |
| March 31, 2019 | 1,105,625 | 2,795,393 | 12,528,752 | 725,985 | 274,316 | 1,083,522 | 1,245,182 | 5,638,459 | 42,470 | 25,439,704 |
| Accumulated depreciation: | | | | | | | | | | |
| March 31, 2018 | - | (478,320) | (3,845,493) | (337,917) | (153,189) | - | (665,300) | (3,644,899) | (32,058) | (9,157,176) |
| Depreciation in the year | - | (75,457) | (633,445) | (55,176) | (28,632) | - | (648,024) | (411,733) | (9,416) | (1,861,883) |
| Write-offs | - | 7,498 | 179,898 | 33,523 | 27,902 | - | - | - | 3,921 | 252,742 |
| Transfers (1) | - | (6,404) | 10,445 | (1,189) | (3,409) | - | - | - | (1) | (558) |
| Effect of foreign currency translation | - | (490) | (3,063) | (55) | (57) | - | - | - | - | (3,665) |
| Transfer between cost and depreciation | - | - | - | - | - | - | 665,301 | - | - | 665,301 |
| March 31, 2019 | - | (553,173) | (4,291,658) | (360,814) | (157,385) | - | (648,023) | (4,056,632) | (37,554) | (10,105,239) |
| Net residual value: | | | | | | | | | | |
| March 31, 2019 | 1,105,625 | 2,242,220 | 8,237,094 | 365,171 | 116,931 | 1,083,522 | 597,159 | 1,581,827 | 4,916 | 15,334,465 |
| March 31, 2018 | 595,759 | 1,435,981 | 6,153,044 | 362,957 | 80,111 | 754,997 | 580,602 | 1,332,019 | 9,248 | 11,304,718 |

(1) As of March 31, 2019, net transfer of R$ 37,511 included: (a) transfer to intangible assets (software), in the amount of R$ 48,865, and (b) amounts transferred from Trade accounts receivable and Other receivables, totaling R$ 11,354; (2) Refers substantially to reversal of estimated inventory loss, net, recognized in income (loss) for the year under "Other operating revenues" caption; and (3) is comprised of: (a) Final adjustments in the allocation of the acquisition price of the Santa Candida and Paraíso plants in the negative amount of R$ 9,509, (b) acquisition of RWXE in the amount of R$ 158 (c) acquisition of Ryballa in the amount of R$ 20,948 and (d) acquisition of Raízen Argentina in the amount of R$ 3,616,311.

## Works in progress

The balances of construction in progress consist basically of: (i) stillage concentration project; (ii) project for receiving the chopped sugar cane and separate the straw for the co-generation of energy; (iii) installation of tanks to increase ethanol storage capacity; (iv) investments for industrial maintenance and improvement, agricultural automation, in addition to safety, health and environment and administrative investments; (v) construction projects for new fuel distribution terminals and the expansion, modernization and improvement of existing terminals; (vi) investments in Shell gas stations to replace fuel pumps, make environmental adaptations, polish the image, renovate and refurbish gas station convenience stores, purchase and install furniture and equipment for the gas station convenience stores; (vii) investments in major clients (B2B) such as the acquisition and installation of equipment, installation of gas stations in these major consumer clients; and (viii) expansion, modernization and improvement in airports, such as the acquisition of supply vehicles, expansion of the networks of hydrants and points of supply. During the year ended March 31, 2020, several projects of this nature were concluded, totaling R$ 929,426.

## Borrowing cost capitalization

In the year ended March 31, 2020 the cost of loans capitalized in the Group were R$ 38,021 (R$ 30,825 in 2019). The annual weighted average rates of finance charges for certain debts were 7.41% in 2020 (6.67% in 2019).

## Property, plant and equipment pledged

As of March 31, 2020, loans and financing are secured by land, building and machinery in the amounts of R$ 469,503 (R$ 679,146 in 2019).

## 15. Intangible assets

| | Software license | Goodwill | Brands | Agricultural partnership agreements | Sugarcane supply agreements | Contractual relationships with clients | Exclusive supply rights | Public concession rights of use | Technology | Grant right and other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | | | | |
| March 31, 2019 | 566,371 | 2,621,269 | 532,348 | 18,411 | 181,516 | 284,735 | 216 | 12,541 | 185,061 | 25,975 | 4,428,443 |
| Additions | 81,377 | - | - | - | - | - | - | - | - | 358 | 81,735 |
| Business combinations (Note 30) | 813 | 18,944 | - | - | - | 30 | - | - | - | - | 19,787 |
| Write-offs | (177) | - | - | - | - | - | - | - | - | - | (177) |
| Derecognition upon formation of the joint venture (Note 13) | (11,758) | - | - | - | - | - | - | - | - | - | (11,758) |
| Transfers | 39,582 | - | - | (288) | - | - | - | - | - | 26,003 | 65,297 |
| Effect of foreign currency translation and other | 2,949 | - | - | - | - | - | - | - | - | 3,072 | 6,021 |
| March 31, 2020 | 679,157 | 2,640,213 | 532,348 | 18,123 | 181,516 | 284,765 | 216 | 12,541 | 185,061 | 55,408 | 4,589,348 |
| Accumulated amortization: | | | | | | | | | | | |
| March 31, 2019 | (369,236) | (431,380) | (422,955) | (18,411) | (101,914) | (10,235) | (216) | (12,541) | (72,337) | (20,989) | (1,460,214) |
| Amortization for the year | (73,053) | - | (52,504) | 555 | (7,767) | (1,767) | - | - | (18,513) | (65) | (153,114) |
| Write-offs | 164 | - | - | - | - | - | - | - | - | - | 164 |
| Business combinations (Note 30) | (582) | - | - | - | - | - | - | - | - | - | (582) |
| Derecognition upon formation of the joint venture (Note 13) | 830 | - | - | - | - | - | - | - | - | - | 830 |
| Transfers | (166) | - | - | - | 288 | - | - | - | - | - | 122 |
| Effect of foreign currency translation | (399) | - | - | - | - | - | - | - | - | - | (399 |
| March 31, 2020 | (442,442) | (431,380) | (475,459) | (17,856) | (109,393) | (12,002) | (216) | (12,541) | (90,850) | (21,054) | (1,613,193) |
| Net residual value: | | | | | | | | | | | |
| March 31, 2020 | 236,715 | 2,208,833 | 56,889 | 267 | 72,123 | 272,763 | - | - | 94,211 | 34,354 | 2,976,155 |
| March 31, 2019 | 197,135 | 2,189,889 | 109,393 | - | 79,602 | 274,500 | - | - | 112,724 | 4,986 | 2,968,229 |

(1) Refers to the net transfer from Property, plant and equipment.

| | As of March 31, 2019 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Software license | Goodwill | Brands | Agricultural partnership agreements | Sugarcane supply agreements | Contractual relationships with clients | Exclusive supply rights | Public concession rights of use | Technology | Other | Total |
| Cost: | | | | | | | | | | | |
| March 31, 2018 | 470,754 | 2,383,350 | 532,348 | 18,411 | 181,516 | 362,834 | 3,727,500 | 12,541 | 183,730 | 24,760 | 7,897,744 |
| Initial adoption of IFRS 15 | - | - | - | - | - | (362,834) | (3,727,284) | - | - | (216) | (4,090,334) |
| April 1, 2018 | 470,754 | 2,383,350 | 532,348 | 18,411 | 181,516 | - | 216 | 12,541 | 183,730 | 24,544 | 3,807,410 |
| Additions | 46,797 | - | - | - | - | - | - | - | 1,331 | - | 48,128 |
| Write-offs | (1,674) | - | - | - | - | - | - | - | - | - | (1,674) |
| Transfers (1) | 47,040 | - | - | - | - | - | - | - | - | 73 | 47,113 |
| Business combinations | 3,570 | 237,919 | - | - | - | 284,735 | - | - | - | - | 526,224 |
| Effect of foreign currency translation | (116) | - | - | - | - | - | - | - | - | - | (116) |
| Other | - | - | - | - | - | - | - | - | - | 1,358 | 1,358 |
| March 31, 2019 | 566,371 | 2,621,269 | 532,348 | 18,411 | 181,516 | 284,735 | 216 | 12,541 | 185,061 | 25,975 | 4,428,443 |
| Amortization: | | | | | | | | | | | |
| March 31, 2018 | (327,419) | (431,380) | (370,451) | (15,475) | (91,198) | (113,632) | (1,770,924) | (12,195) | (53,964) | (21,205) | (3,207,843) |
| Initial adoption of IFRS 15 | - | - | - | - | - | 113,632 | 1,770,708 | - | - | 216 | 1,884,556 |
| April 1, 2018 | (327,419) | (431,380) | (370,451) | (15,475) | (91,198) | - | (216) | (12,195) | (53,964) | (20,989) | (1,323,287) |
| Amortization in the year | (45,325) | - | (52,504) | (2,687) | (10,965) | (10,235) | - | (346) | (18,373) | - | (140,435) |
| Write-offs | 1,662 | - | - | - | - | - | - | - | - | - | 1,662 |
| Transfers (1) | 1,752 | - | - | (249) | 249 | - | - | - | - | - | 1,752 |
| Effect of foreign currency translation | 94 | - | - | - | - | - | - | - | - | - | 94 |
| March 31, 2019 | (369,236) | (431,380) | (422,955) | (18,411) | (101,914) | (10,235) | (216) | (12,541) | (72,337) | (20,989) | (1,460,214) |
| Net residual value: | | | | | | | | | | | |
| March 31, 2019 | 197,135 | 2,189,889 | 109,393 | - | 79,602 | 274,500 | - | - | 112,724 | 4,986 | 2,968,229 |
| March 31, 2018 | 143,335 | 1,951,970 | 161,897 | 2,936 | 90,318 | 249,202 | 1,956,576 | 346 | 129,766 | 3,555 | 4,689,901 |

(1) On March 31, 2019, it included a net transfer from Property, plant and equipment in the amount of R$ 48,865; and (2) was comprised of: (a) Final adjustments in the allocation of the acquisition price of the Santa Candida and Paraíso plants in the amount of R$ 21,135, (b) acquisition of RWXE in the amount of R$ 24,626 (c) acquisition of Ryballa in the amount of R$ 5,400 and (d) acquisition of Raízen Argentina in the amount of R$ 475,063.

## Goodwill

Refers to goodwill paid for expected future profitability, amortized on a straight-line basis up to March 31, 2009, when, as required by IAS 38 - Intangible Assets, it was no longer amortized. On March 31, 2020 and 2019, goodwill balance is as follows:

| | 2020 | 2019 |
|---|---|---|
| Acquisition of Costa Rica Canavieira Ltda. | 57,169 | 57,169 |
| Acquisition of Cerrado Açúcar e Álcool S.A. | 24,660 | 24,660 |
| Acquisition of RESA (former Cosan S.A. Açúcar e Álcool) | 558 | 558 |
| Acquisition of Univalem S.A. Açúcar e Álcool | 5,018 | 5,018 |
| Acquisition of Usina Açucareira Bom Retiro S.A. | 81,575 | 81,575 |
| Acquisition of Usina Benálcool | 149,247 | 149,247 |
| Acquisition of Usina Santa Luíza | 42,348 | 42,348 |
| Acquisition of Usina Zanin Açúcar e Álcool | 98,380 | 98,380 |
| Acquisition of Vertical | 4,313 | 4,313 |
| Acquisition of Corona Group | 380,003 | 380,003 |
| Acquisition of Destivale Group | 42,494 | 42,494 |
| Acquisition of Mundial Group | 87,435 | 87,435 |
| Establishment of FBA – Franco Brasileira S.A. Açúcar e Álcool | 4,407 | 4,407 |
| Merger of Curupay S.A. Participações | 109,841 | 109,841 |
| Capital payment at Mundial | 14,800 | 14,800 |
| Acquisition of Santa Cândida and Paraíso plants | 431,272 | 431,272 |
| Acquisition of RWXE | 8,430 | 8,430 |
| Acquisition of Ryballa | 5,400 | 5,400 |
| Total RESA | 1,547,350 | 1,547,350 |
| Acquisition of Latina | 70,432 | 70,432 |
| Acquisition of Raízen Argentina | 221,898 | 202,954 |
| Business combination of Cosan Combustíveis Lubrificantes S.A. | 348,103 | 348,103 |
| Other | 21,050 | 21,050 |
| Total RCSA | 661,483 | 642,539 |
| Total combined consolidated | 2,208,833 | 2,189,889 |

## Impairment analysis for cash generating units containing goodwill

The Group tests goodwill for impairment at least on an annual basis.

At RCSA, the Management, to determine recoverable value, uses the value in use method, which is based on projection of expected discounted cash flows of cash generating units ("CGU") determined by Management based on budgets that take into consideration assumptions related to CGU and its respective location. Business management of RCSA in Brazil considers them as an integrated distribution chain comprising a single cash generating unit, using information available in the market and prior performances.

Discounted cash flows were prepared for a period of five years and taken to perpetuity without considering real growth rate, based on past performance and on expected market development. Cash flows deriving from continued use of related assets are adjusted at specific risks and use pre-tax discount rate, calculated as 5.12% p.a. (7.90% in 2019).

Main assumptions used: prices based on domestic market expectation, growth rates estimated for business line and extrapolations of growth rates based on Gross Domestic Product (GDP) of Brazil. Every future cash flow was discounted at rates that reflect specific risks related to relevant assets in each cash generating unit.

In RESA, goodwill is allocated to CGU's identified according to operating region. As of March 31, 2020 and 2019, the regional branches are presented as follows:

| Operating region | Amount |
|---|---|
| Piracicaba | 144,144 |
| Jaú | 431,830 |
| Araraquara | 545,391 |
| Araçatuba | 303,401 |
| Assis | 109,841 |
| Other | 12,743 |
| Total RESA goodwill | 1,547,350 |

RESA, to determine recoverable value, uses the value in use method, which is based on projection of expected discounted cash flows of cash generating units determined by Management based on budgets that take into consideration assumptions related to each CGU using information available in the market and prior performances. Discounted cash flows were prepared over a period of 20 years and taken to perpetuity without considering real growth rate, according to the reasonable recovery time of the assets related to the activities of the RESA's economic industry. Actual growth rate was not considered in the cash flow period nor in perpetuity, based on past performance and on expected market development. The discount rate used was 5.12% per annum (6.72% in 2019).

The main assumptions used for RESA were as follows: expected sales price of commodities in the long-term, productivity of agricultural areas, performance of Total Recoverable Sugar ("ATR"), and operating and administrative costs. Every cash flow was discounted at rates that reflect specific risks related to relevant assets in each cash generating unit.

As a result of annual tests, non-significant loss was recognized in the years ended March 31, 2020, 2019 and 2018. As aforementioned, determination of assets recoverability depends on the accomplishment of certain assumptions that are influenced by market, technological, and economic conditions prevailing at the time in which recoverability is tested and, therefore, it is not possible to determine if recoverability losses will occur in the future and, in case they occur, if they will be material.

## 16. Suppliers

| | 2020 | 2019 |
|---|---|---|
| Suppliers - Agreements (i) | 5,837,811 | 3,944,160 |
| Suppliers of materials and services (ii) | 2,938,447 | 2,329,360 |
| Oil products suppliers (iii) | 1,029,535 | 1,203,637 |
| Ethanol suppliers (iii) | 116,730 | 317,237 |
| Sugarcane suppliers (iv) | 304,492 | 231,161 |
| | 10,227,015 | 8,025,555 |
| Domestic (domestic currency) | 4,087,542 | 3,869,922 |
| Abroad (foreign currency) (Note 27.d) | 6,139,473 | 4,155,633 |
| | 10,227,015 | 8,025,555 |

(i) The Group has Agreements Related to Payments to financial institutions ("Agreements") that permit certain suppliers to advance their receivables referring to products and services rendered to the Group, directly with financial institutions. In said Agreements, supplier may choose to grant or not and the financial institutions decide whether to acquire or not said credit, without interference from the Group. Using the Agreements does not imply any change in notes issued by the suppliers, and the same original value and payment term conditions are maintained, which, as average, is around 60 to 90 days, period that is consistent with the Group's recurring operating cycle.

(ii) The balance payable to suppliers of materials and services mostly consists of acquisitions of machinery and equipment for production facilities, distribution hubs and own reseller stations, hired services.

(iii) The balances payable to suppliers of ethanol, oil and oil by-products consist of purchases made by the Group.

(iv) Sugar cane harvesting, which usually takes place between April and December every year, has a direct impact on the balance of trade accounts payable to sugar cane suppliers and for cutting, loading and transportation services.

## 17. Lease

## (a) Rights of use

| | Land | Properties | Aircrafts, crafts and vehicles | Machinery and equipment | Industrial park | Total |
|---|---|---|---|---|---|---|
| Cost or evaluation March 31, 2019 | - | - | - | - | - | - |
| Initial adoption of IFRS 16 (Note 2.4.1) | 3,582,128 | 209,420 | 435,474 | 173,589 | 84,012 | 4,484,623 |
| April 1, 2019 | 3,582,128 | 209,420 | 435,474 | 173,589 | 84,012 | 4,484,623 |
| Additions | 936,280 | 63,226 | 220,897 | 75,330 | - | 1,295,733 |
| Write-off | (121,481) | (23,995) | (77,750) | (86,013) | - | (309,239) |
| Remeasurements (1) | 609,565 | 6,816 | 50,205 | (39,107) | 5,340 | 632,819 |
| Derecognition upon formation of the joint venture (Note 13) | - | - | (755) | - | - | (755) |
| Business combinations (Note 30) | - | 111 | - | - | - | 111 |
| Effect of foreign currency translation | 51,311 | 17,101 | 133,083 | - | - | 201,495 |
| Closing balance | 5,057,803 | 272,679 | 761,154 | 123,799 | 89,352 | 6,304,787 |
| Amortization: March 31, 2019 | - | - | - | - | - | - |
| Amortization for the year | (822,788) | (87,893) | (194,283) | (42,293) | (5,832) | (1,153,089) |
| Write-off | - | 207 | 304 | 231 | - | 742 |
| Derecognition upon formation of the joint venture (Note 13) | - | - | 233 | - | - | 233 |
| Business combinations (Note 30) | - | (87) | - | - | - | (87) |
| Transfers | - | (77) | - | 77 | - | - |
| Effect of foreign currency translation | (5,031) | (11,447) | (35,170) | (1,542) | - | (53,190) |
| Closing balance | (827,819) | (99,297) | (228,916) | (43,527) | (5,832) | (1,205,391) |
| Net residual value: | 4,229,984 | 173,382 | 532,238 | 80,272 | 83,520 | 5,099,396 |

(1) Remeasurements it is mainly related to the agriculture lease and partnership contracts (CONSECANA´s index variation).

We present below the weighted average amortization rates by rights of use class as of March 31, 2020:

| Class | Average rate (% per annum) |
|---|---|
| Land | 19% |
| Properties | 31% |
| Aircrafts, crafts and vehicles | 36% |
| Machinery and equipment | 24% |
| Industrial park | 7% |

## (b) Lease liabilities

As of March 31, 2020, the lease liabilities are as follows:

| | |
|---|---|
| March 31, 2019 | - |
| Initial adoption of IFRS 16 (Note 2.4.1) | 3,630,867 |
| April 1, 2019 | 3,630,867 |
| Additions | 1,244,591 |
| Write-offs | (291,247) |
| Payment | (1,114,229) |
| Interest | 334,365 |
| Transfers | (47,554) |
| Remeasurements (1) | 517,142 |
| Derecognition upon formation of the joint venture (Note 13) | (645) |
| Business combinations (Note 30) | 34 |
| Effect of foreign currency translation | 138,424 |
| March 31, 2020 | 4,411,748 |
| | |
| Domestic (domestic currency) | 3.883.154 |
| Abroad (foreign currency) (Note 27.d) | 528.594 |
| | 4,411,748 |
| | |
| Current | (1,174,750) |
| | |
| Non-current | 3,236,998 |

(1) Remeasurements it is mainly related to the agriculture lease and partnership contracts (CONSECANA´s index variation).

The weighted average incremental rate applied to the Group's lease liabilities as of March 31, 2020, was 8,60% per annum.

As of March 31, 2020, the maturity profile of the lease liabilities with thirds and related parties (note 11.a.5), is as follows:

| **Periods (in months):** | **Present value** | **Future value** |
|---|---|---|
| 1–12 | 1,098,420 | 1,438,687 |
| 13–24 | 914,516 | 1,217,425 |
| 25–36 | 759,022 | 994,029 |
| 37–48 | 582,606 | 762,328 |
| 49–60 | 431,644 | 568,629 |
| 61–72 | 327,701 | 432,863 |
| 73–84 | 274,594 | 354,404 |
| 85–96 | 188,576 | 248,074 |
| 97–120 | 143,665 | 186,596 |
| >121 | 431,568 | 611,243 |
| | 5,152,312 | 6,814,278 |

## 18. Loans and financing

| Purpose | Final maturity | Index | Annual effective average interest rate (1) | | Total | |
|---|---|---|---|---|---|---|
| | | | 2020 | 2019 | 2020 | 2019 |
| Classification of debts per currency: | | | | | | |
| Denominated in Reais | | | | | 9,624,179 | 7,057,095 |
| Denominated in North-American Dollars (US$) and Euro (€) (Note 27.d) | | | | | 15,736,428 | 10,247,475 |
| | | | | | 25,360,607 | 17,304,570 |
| Type of debts (2): | | | | | | |
| Export prepayments | Oct 2025 | US$ + Libor | 2.93% | 3.92% | 8,723,426 | 4,867,197 |
| Export prepayments | Sep 2020 | Fixed rate | 3.74% | 3.74% | 1,051,686 | 785,148 |
| Certificate of Agribusiness Receivables (CRA) | Jul 2029 | CDI | 3.57% | 6.27% | 2,947,187 | 3,314,775 |
| Certificate of Agribusiness Receivables (CRA) | Jul 2029 | IPCA | 7.33% | 8.85% | 2,389,708 | 1,460,441 |
| Senior notes due 2027 | Jan 2027 | US$ | 5.30% | 5.30% | 2.965.837 | 2,063,312 |
| Financial Rural Product Note (“CPR-F”) | Nov 2023 | CDI | 4.35% | - | 2,017,441 | - |
| *Schuldschein* | Oct 2021 | Fixed rate - € | 2.88% | 2.88% | 382,920 | 292,621 |
| *Schuldschein* | Sep 2022 | *Euribor* | 1.79% | 1.87% | 609.190 | 473,934 |
| Debentures | Nov 2023 | IPCA + interest | 7.06% | 10.52% | 1,115,357 | 430,795 |
| Term Loan Agreement | Apr 2024 | US$ + Libor | 2.95% | 3.86% | 1,051,523 | 1,765,263 |
| Advance on exchange contract ("ACC") | Sep 2020 | - | 1.71% | - | 880,423 | - |
| National Bank for Social and Economic Development (“BNDES”) | Mar 2024 | URTJLP | 6.25% | 9.20% | 10,536 | 35,384 |
| BNDES | Dec 2030 | Fixed rate | 3.59% | 3.92% | 384,006 | 565,927 |
| BNDES | Apr 2024 | UMBND | 6.67% | 6.67% | 37,684 | 37,180 |
| BNDES | Dec 2038 | IPCA | 7.36% | - | 128,956 | - |
| Financiadora de Estudos e Projetos ("Finep") | Nov 2022 | Fixed rate | 5.00% | - | 88,278 | - |
| Finame/Leasing | Jan 2025 | Fixed rate | 6.64% | 6.59% | 57,571 | 76,477 |
| Finame/Leasing | Mar 2021 | URTJLP | 8.29% | 10.32% | 45 | 89 |
| Resolution 2471 (PESA) | Apr 2023 | IGP-M | 7.53% | 9.42% | 328,965 | 594,381 |
| Resolution 2471 (PESA) | Oct 2025 | Fixed rate | 3.00% | 3.00% | 46 | 53 |
| Credit Notes | Oct 2020 | CDI | 3.91% | 6.86% | 84,941 | 171,205 |
| Loan 4131 | Dec 2020 | Fixed rate | 4.34% | - | 54,778 | - |
| Working capital | Aug 2020 | CDI | 4.41% | - | 33,458 | - |
| Working capital | Apr 2020 | FED | 0.83% | - | 16,645 | - |
| Rural credit | Nov 2023 | CDI | | 6.05% | - | 370,388 |
| | | | | | 25,360,607 | 17,304,570 |
| Expenses incurred with the placement of the securities: | | | | | | |
| Certificate of Agribusiness Receivables (CRA) | | | | | (15,590) | (21,313) |
| CPR-F | | | | | (12,426) | - |
| BNDES | | | | | (2,229) | (2,782) |
| Senior notes due 2027 | | | | | (2,074) | (1,419) |
| Export prepayments | | | | | (397) | (13,642) |
| Finep | | | | | (199) | - |
| Debentures | | | | | (180) | (539) |
| Term Loan Agreement | | | | | (142) | (574) |
| | | | | | (33,237) | (40,269) |
| | | | | | 25,327,370 | 17,264,301 |
| Current | | | | | (5,334,083) | (1,922,661) |
| Non-current | | | | | 19,993,287 | 15,341,640 |

(1) The annual effective interest rate is the contract rate plus, Libor *(*London InterBank Offered Rate*)*, Euribor (European Interbank Offered Rate), URTJLP, IGP-M, UMBND, IPCA and CDI, where applicable.

(2) Loans and financing are usually secured by Group's promissory notes. In some cases, they even have real guarantees such as: (i) credit receivables from energy sale agreements (BNDES); (ii) CTN (Note 10) and mortgage of land (PESA); (iii) property, plant and equipment; and (vi) lien of asset under financing (Finame/PESA).

Installments falling due in the long term, less the amortizations of expenses incurred with the placement of the debts, have the following schedule:

| Periods (in months): | 2020 |
|---|---|
| 13–24 | 1,896,391 |
| 25–36 | 2,525,132 |
| 37–48 | 2,924,353 |
| 49–60 | 4,037,137 |
| 61–72 | 2,592,399 |
| 73–84 | 3,218,552 |
| 85–96 | 912,311 |
| >97 | 1,887,012 |
| | 19,993,287 |

The details of the Group's main loans and financing are described below:

**(a)** ***Export prepayments and Committed Back-up Credit Facility***

The Group entered into Export prepayment contracts with several financial institutions for financing of future sugar export. As of March 31, 2020, Export prepayments payable is as follows:

| | | | | Amount | |
|---|---|---|---|---|---|
| **Engagement** | **Company** | **Bank** | **Maturity** | **R$** | **US$** |
| Oct 2015 | RCSA | MUFG Bank Ltd | Sep 2020 | 404,000 | 100,000 |
| Oct 2015 | RCSA | MUFG Bank Ltd | Sep 2020 | 393,600 | 100,000 |
| Nov 2015 | RCSA | Sumitomo Mitsui Banking | Nov 2021 | 189,625 | 50,000 |
| Dec 2015 | RCSA | Mizuho Bank. Ltd. | Dec 2021 | 199,155 | 50,000 |
| Nov 2017 | RCSA | The Bank of Nova Scotia | Nov 2023 | 160,960 | 50,000 |
| Nov 2017 | RCSA | The Bank of Nova Scotia | Nov 2023 | 804,800 | 250,000 |
| Dec 2015 | RESA | Ing Bank S.A. | Dec 2020 | 192,740 | 50,000 |
| Aug 2018 | RESA | The Bank of Nova Scotia | Aug 2024 | 613,378 | 150,000 |
| Aug 2018 | RESA | BNP Paribas | Aug 2025 | 515,675 | 125,000 |
| Sep 2018 | RCSA | Credit Agricole Corporate | Aug 2023 | 208,260 | 50,000 |
| Sep 2018 | RCSA | Credit Agricole Corporate | Sep 2024 | 1,201,170 | 300,000 |
| Oct 2018 | RCSA | Mizuho Bank. Ltd. | Oct 2025 | 193,590 | 50,000 |
| Mar 2020 | RESA | Citibank | Sep 2020 | 326,248 | 65,000 |
| June 2019 | RCSA | Bank of America | Sep 2025 | 291,809 | 70,000 |
| Jan 2020 | RCSA | JP Morgan | July 2020 | 103,462 | 25,000 |
| Feb 2020 | RCSA | JP Morgan | Aug 2020 | 43,466 | 10,000 |

During the year ended March 31, 2020, RCSA paid certain Export prepayments and other loans, in the amount of R$ 744,246.

Additionally, on April 29, 2019, RCSA withdraw the total remaining amount of US$ 300,000 thousand corresponding to R$ 1,175,265 of this credit facility *Committed Back-up Credit Facility* that held with the international bank syndicate with final maturity in April 2025.

## (b) CRA

As of March 31, 2020, these contracts payable are as follows:

| Engagement | Company | Issuer | Issue | Series | Maturity | Principal | Funding expenditures |
|---|---|---|---|---|---|---|---|
| Oct 2014 | RESA | Gaia Agro Securitizadora S.A. (1) | 10th | 2nd | Dec 2021 | 101,987 | 1,887 |
| Jun 2015 | RESA | Gaia Agro Securitizadora S.A. | 14th | Single | June 2021 | 675,000 | 12,492 |
| May 2016 | RESA | RB Capital Companhia de Securitização | 1st | 3rd | May 2022 | 465,706 | 9,328 |
| May 2016 | RESA | RB Capital Companhia de Securitização (1) | 1st | 4th | May 2023 | 214,428 | 4,191 |
| May 2017 | RESA | RB Capital Companhia de Securitização | 1st | 6th | Apr 2023 | 738,814 | 13,273 |
| May 2017 | RESA | RB Capital Companhia de Securitização (1) | 1st | 7th | Apr 2024 | 230,877 | 4,192 |
| Dec 2017 | RCSA | RB Capital Companhia de Securitização | 1st | 11th | Dec 2023 | 501,489 | 8,634 |
| Dec 2017 | RCSA | RB Capital Companhia de Securitização (1) | 1st | 12th | Dec 2024 | 204,024 | 3,512 |
| Mar 2019 | RESA | RB Capital Companhia de Securitização | 6th | 1st | Mar 2025 | 300,000 | 6,585 |
| Mar 2019 | RESA | RB Capital Companhia de Securitização (1) | 6th | 2nd | Mar 2026 | 600,000 | 13,170 |
| July 2019 | RESA | True Securitizadora S.A. | 6th | 1st | July 2029 | 228,190 | 5,656 |
| July 2019 | RESA | True Securitizadora S.A. | 6th | 2nd | July 2029 | 787,658 | 19,525 |

(1) Funding costs were partially offset in the result of the Group since certain debts with linked swaps had been stated at fair value through profit or loss.

As of December 16, 2019, contracts were settled at the principal amount of R$ 573,013.

Funds raised were used in Group's activities, which are substantially related to agribusiness, in the ordinary course of its business, which is understood as transactions, investments and financing needs related to production, trading, processing or industrialization of agricultural products and inputs or of machinery and inputs used in agricultural activity.

## (c) *Senior notes due 2027*

On January 20, 2017, Raízen Fuels issued Senior Notes in the international market according to "Regulations S and 144A", in the amount of US$ 500,000 thousand, which are subject to interest of 5.30% p.a., payable on a half-annual basis in January and July every year and payment of principal in January 2027. As provided for in Offering Memorandum of the issuance, net funds obtained in the ambit of the Offer were used for prepayment of existing debts.

## (d) Rural Product Note

During the year ended March 31, 2020, RESA entered into Rural Product Bills (CPRs), whose details are as follows:

| Engagement | Bank | Maturity | Principal | Funding expenditures |
|---|---|---|---|---|
| Nov 2019 | Banco Bradesco S.A. | Nov 2029 | 750,000 | 8,764 |
| Dec 2019 | Banco Bradesco S.A. | Nov 2029 | 250,000 | 3,984 |
| Dec 2019 | Banco Bradesco S.A. | Mar 2025 | 200,000 | - |
| Dec 2019 | Banco Bradesco S.A. | Sep 2020 | 800,000 | - |
| Mar 2025 | Banco Bradesco S.A. | Sep 2020 | 200,000 | - |

The funds raised will be used in soil preparation, sugarcane planting and treatment.

### (e) *Schuldschein*

As of March 31, 2020, these contracts payable by RESA are as follows:

| | | | | Amount | |
|---|---|---|---|---|---|
| **Engagement** | **Bank** | **Annual effective average interest** | **Maturity** | **R$** | **€** |
| Oct 2014 | Citibank, N.A., London branch | 2.88% p.a. + Euro € | Oct 2021 | 201,043 | 66,000 |
| Jan 2015 | Citibank, N.A., London branch | 1.69% p.a. + Euro € | Jan 2022 | 121,052 | 40,000 |
| Sep 2015 | Citibank, N.A., London branch | 1.99% p.a. + Euro € | Sep 2022 | 264,164 | 60,000 |

### (f) Debentures

In November 2019, CVM granted to RESA, registration of its 4th Public Issuance of Simple Debentures through which 900,000 simple, unsecured debentures, not convertible into shares were issued in three series, with par value of R$1,000, totaling R$900,000 and detailed as follows:

| **Series** | **Index** | **Annual interest rate** | **Annual effective average interest rate** | **Principal** | **Date of receipt** | **Maturity** | **Funding expenditures** |
|---|---|---|---|---|---|---|---|
| 4th | IPCA | 3.54% | 7.72% | 900,000 | 11/28/2019 | 11/16/2029 | 8,187 |

As of October 15, 2019, RESA settled the 3rd series debentures of 1st issuance executed into on October 15, 2013 in the amount of R$ 239,663, and R$ 212,513 - principal and R$ 27,120 - interest.

### (g) *Term Loan Agreement* (Syndicated loan)

On March 30, 2015, Raízen Luxembourg S.A (subsequently merged by Raízen Fuels), RESA's subsidiary, contracted a loan from a syndicate comprised of several global commercial banks in the amount of US$ 450,000 thousands. Said contract is subject to USD exchange-rate change and quarterly Libor interest plus annual fixed interest of 1.2%, resulting in effective average interest rate of 4.02% p.a. with quarterly maturity and maturity dates on April 27, 2020.

On March 25, 2019, Raízen Fuels, RESA's subsidiary, contracted a new loan from a syndicate in the amount of US$ 200,000 thousands, with a partial amortization of the loan above. Said contract is subject to quarterly Libor interest plus annual fixed interest of 1.05% p.a., resulting in effective average interest rate of 3.65% p.a. with quarterly interest and final maturity dates on April 30, 2024. By means of this contract, Raízen Fuels also has obtained a revolving credit facility of USD 300,000 thousands, also due in April 2024. In the year ended on March 31, 2020, the mentioned credit facility had not been used.

On March 25, 2020, Raízen Fuels settled the amount of US$ 250,000 thousands, equivalent to R$ 1,217,575, with Banco Credit Agricole.

## (h) ACC

As of March 31, 2020, these contracts payable by RESA are as follows:

| | | | | Amount | |
|---|---|---|---|---|---|
| **Engagement** | **Bank** | **Annual effective average interest rate** | **Maturity** | **R$** | **US$** |
| Mar 2025 | BNP Paribas | Fixed rate | Sep 2020 | 424,521 | 90,000 |
| Mar 2025 | Banco do Brasil | Fixed rate | Sep 2020 | 399,633 | 79,250 |

## (i) BNDES

Correspond to funds raised by the Group, destined to financing co-generation projects, investments in fuel terminals, greenfield, brownfields for renewal and implementation of new sugarcane fields (Prorenova) and construction of plant for E2G production.

On March 31, 2020, the Raízen Group has available credit facilities of financing from BNDES, unused, amounting to R$ 216,474 (R$ 459,696 in 2019). The use of these credit facilities depends on the fulfillment of certain contractual conditions.

## (j) PESA - Resolution 2471

In the period from 1998 to 2000, RESA renegotiated with several financial institutions its debts related to financing of agricultural costs, reducing their financial cost to annual interest rates lower than 7.53%, ensuring amortization of debt with granting and transfer of National Treasury Certificates, redeemable upon debt settlement, using incentive promoted by Brazilian Central Bank Resolution no. 2,471, of February 26, 1998. Said debt may be automatically settled through redemption of CTN’s and compliance with contract provisions.

In the year ended March 31, 2020, RESA offset PESA contracts in the amount of R$ 271,844 (R$ 380,984 in 2019) through redemptions of the CTNs.

## (k) Rural credit

On April 18, 2018, RESA signed several agricultural credit agreements in the amount of R$ 350,000 with Banco Bradesco S.A. for use in soil preparation, planting and crop treatments. Annual interest of 6.05% is levied on the contracts, with final maturity in April 2020.

On March 18, 2020, RESA settled the agricultural credit agreements in the amount of R$ 350,000 with Banco Bradesco S.A.

## (l) Covenants

The Group is not subject to comply with financial ratios, being subject only to certain covenants in loans and financing contracts, such as “cross-default” and “negative pledge”, which are being fully complied with by the Group.

## (m) Fair value

On March 31, 2020 and 2019, carrying amount and fair value of loans are as follows:

| | Carrying amount | | Fair value (1) | | Financial income (loss) | | |
|---|---|---|---|---|---|---|---|
| **Description** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** | **2018** |
| Export prepayments | 8,417,336 | 5,178,416 | 8,473,101 | 5,260,489 | 26,308 | (82,586) | 6,442 |
| Term Loan Agreement | 1,088,770 | 974,843 | 1,099,825 | 984,650 | (1,248) | (5,810) | (922) |
| *Senior notes due 2027* | 2,754,881 | 1,870,617 | 3,094,581 | 1,965,500 | (244,817) | (122,158) | 27,275 |
| *Schuldschein* | 992,495 | 731,338 | 1,028,186 | 766,967 | (61) | 8,980 | (13,019) |
| Certificate of | 2,324,909 | 1,448,712 | 2,383,604 | 1,460,441 | (46,966) | (11,729) | - |
| Debentures | 930,273 | - | 893,415 | - | 36,858 | - | - |
| *Loan 4131* | 56,666 | - | 57,356 | - | (43) | - | - |
| | 16,565,330 | 10,203,926 | 17,030,068 | 10,438,047 | (229,969) | (213,303) | 19,776 |

(1) As of March 31, 2020 and 2019, includes the fair value evaluation for R$ 464,738 and R$ 234,121, respectively.

Other loans and financing do not have a value quoted, but the fair value is close to the book value due to their exposure to variable interest rates and insignificant changes in the Group's credit risk which may be accrued by comparing securities quoted and aforementioned.

## (n) Other information

### *Revolving Credit Facility*

Raízen Fuels, wholly owned subsidiary of Raízen Energia, has a total revolving credit facility of US$ 300,000, not used up to the issuance of these combined consolidated financial statements as follows:

| **Beneficiary** | **Institution** | **Amount in USD** | **Maturity** |
|---|---|---|---|
| Raízen Fuels | Bank syndicate | 300,000 | Apr 2024 |

Additionally, the Group has a revolving credit line called Revolving Credit Facility, with its shareholders, in the amount of US$ 700,000 thousands (Note 11.d), totaling US$ 1,000,000 thousand.

## 19. Income tax and social contribution

### (a) Reconciliation of income and social contribution tax expenses:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Income before income tax and social contribution** | 3,461,517 | 2,777,134 | 3,154,016 |
| Income tax and social contribution at nominal rate (34%) | (1,176,916) | (944,225) | (1,072,365) |
| **Adjustments for calculation of effective rate:** | | | |
| JCP | 51,498 | 65,416 | 65,960 |
| Equity result | (3,192) | 10,536 | (7,284) |
| Capital gain on dilution of ownership interest | 81,780 | - | - |
| Gifts, donations, class association | (6,852) | (9,643) | (8,011) |
| Special regime for the reintegration of tax amounts for exporting companies - ("Reintegra") | 1,872 | 4,481 | 32,812 |
| Investment grant - ICMS | 27,244 | 31,662 | 26,141 |
| Government grants | - | 85,224 | - |
| Difference between deemed income and taxable income rates | 10,987 | 78,826 | 106,052 |
| | | - | - |
| Credits from indemnity suits | - | 75,267 | - |
| Exchange variation on investee abroad | 702 | 17,201 | 6,334 |
| Argentinian Special Regime for revaluation of assets | - | 56,263 | - |
| Other | (52.723) | (13,027) | 7,329 |
| Income tax and social contribution expense | (1,065,600) | (542,019) | (843,032) |
| Effective rate | 29.9% | 19.5% | 26.7% |

### (b) Recoverable income tax and social contribution (current and non-current):

| | 2020 | 2019 |
|---|---|---|
| IRPJ | 750,114 | 844,938 |
| CSLL | 235,473 | 283,069 |
| Tax credits of entity abroad | 334,904 | 332,732 |
| | 1,320,491 | 1,460,739 |
| Current assets | (778,694) | (1,018,941) |
| Non-current assets | 541,797 | 441,798 |

### (c) Income tax and social contribution payable (Current)

| | 2020 | 2019 |
|---|---|---|
| IRPJ | 50,723 | 23,601 |
| CSLL | 11,569 | 4,820 |
| Tax debts of entity abroad | 166,802 | 71,161 |
| | 229,094 | 99,582 |

## (d) Deferred income tax and social contribution, net:

| Assets (liabilities) | Basis | IRPJ 25% | CSLL 9% | 2020 Total | 2019 Total |
|---|---|---|---|---|---|
| Tax losses | 3,490,945 | 872,736 | - | 872,736 | 504,662 |
| Negative basis for social contribution | 3,370,646 | - | 303,358 | 303,358 | 178,843 |
| Temporary differences: | | | | | |
| Net exchange variation | 4,498,033 | 1,124,508 | 404,823 | 1,529,331 | 279,397 |
| Estimated loss for goodwill write-off | 166,656 | 41,664 | 14,999 | 56,663 | 56,663 |
| Remuneration and employee benefits | 345,547 | 86,387 | 31,099 | 117,486 | 102,781 |
| Fair value of inventories | 197,162 | 49,291 | 17,744 | 67,035 | - |
| Provision for legal disputes | 907,545 | 226,886 | 81,679 | 308,565 | 251,234 |
| Provisions and other temporary differences | 1,293,453 | 323,364 | 116,860 | 440,224 | 306,749 |
| Total deferred tax assets | | 2,724,836 | 970,562 | 3,695,398 | 1,680,329 |
| Amortized tax goodwill | (1,914,975) | (478,744) | (172,348) | (651,092) | (619,902) |
| Refund of ICMS | (250,691) | (62,673) | (22,562) | (85,235) | (71,575) |
| Result unrealized with derivatives | (4,244,034) | (1,061,009) | (381,963) | (1,442,972) | (300,223) |
| Property plant and equipment assets' useful life review | (2,089,697) | (522,425) | (188,072) | (710,497) | (626,408) |
| Fair value of inventories | - | - | - | - | (12,840) |
| Revaluation of property plant and equipment | (2,060,562) | (515,140) | (185,451) | (700,591) | (546,633) |
| Fair value of assets from contracts with clients | (212,018) | (53,004) | (19,082) | (72,086) | (78,350) |
| Fair value of property plant and equipment, intangible assets and others | (997,644) | (249,411) | (89,788) | (339,199) | (358,557) |
| Fair value in the formation of the joint venture | (526,361) | (131,590) | (47,373) | (178,963) | - |
| Cost of capitalized loans | (274,636) | (68,658) | (24,718) | (93,376) | (94,810) |
| Biological assets | (131,368) | (32,842) | (11,823) | (44,665) | (34,304) |
| Total deferred tax liabilities | | (3,175,496) | (1,143,180) | (4,318,676) | (2,743,602) |
| Total deferred taxes | | (450,660) | (172,618) | (623,278) | (1,063,273) |
| Deferred taxes - Assets, net | | | | 1,279,947 | 507,655 |
| Deferred taxes - Liabilities, net | | | | (1,903,225) | (1,570,928) |
| Total deferred taxes | | | | (623,278) | (1,063,273) |

## (d.1) Net movement in deferred tax liabilities:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Balance at the beginning of the year | (1,063,273) | (293,871) | (337,450) |
| Initial adoption of IFRS 9 | - | 1,175 | - |
| Adjusted opening balance | (1,063,273) | (292,696) | (337,450) |
| Credit in income (loss) | 279,992 | 6,226 | 119,925 |
| Deferred taxes on other comprehensive income | 238,415 | 161,916 | (20,482) |
| Reversal of deferred tax liabilities | | | (35,530) |
| Business combinations (Note 30) | 69,588 | (967,418) | - |
| Derecognition upon formation of the joint venture (Note 13) | (1,164) | - | - |
| Write-off by disposal of subsidiary | 22,931 | | |
| Effect of foreign currency translation | (172,434) | 26,547 | - |
| Others | 2,667 | 2,152 | (20,334) |
| Balance at the end of the year | (623,278) | (1,063,273) | (293,871) |

**(d.2) Realization of deferred tax assets:**

When evaluating deferred taxes' recovery capacity, Management considers future taxable income projections and movements in temporary differences. Deferred tax assets are recognized only when it is probable that they will be used in the future. Possibility of using tax losses and negative bases' balances does not expire, but the use of these losses accumulated in prior years is limited to 30% of taxable annual income.

On March 31, 2020, the Group expects to realize deferred tax assets as follows, including tax loss assets in certain companies, negative basis and temporary differences:

| Years: | Total |
|---|---|
| 2021 | 563,965 |
| 2022 | 327,541 |
| 2023 | 306,690 |
| 2024 | 267,141 |
| 2025 | 811,655 |
| >2025 | 1,418,406 |
| **Total** | 3,695,398 |

## 20. Legal disputes and judicial deposits

**Breakdown of legal disputes considered as probable loss**

As of March 31, 2019 and 2020, balances of said claims to be reimbursed and claims that are not reimbursable to shareholders in the scope of Group's formation (Note 11.a) are as follows:

| | 2020 | 2019 |
|---|---|---|
| Tax | 850,656 | 876,513 |
| Civil | 240,096 | 192,384 |
| Labor | 398,498 | 308,843 |
| Environmental | 69,633 | 100,182 |
| | 1,558,883 | 1,477,922 |
| Non-reimbursable legal disputes | 428.374 | 352,402 |
| Reimbursable legal disputes | 1.130.509 | 1,125,520 |
| | 1,558,883 | 1,477,922 |

When the Group was setup it was agreed that Cosan and Shell would reimburse the Group for legal disputes that were ongoing or originated before its formation, thus, the Group should reimburse Cosan and Shell regarding the judicial deposits made on the date before its formation.

As of March 31, 2019 and 2020, balances of refundable deposits and deposits that are not refundable to shareholders, in the scope of Group's formation process (Note 11.a) are as follows:

| | 2020 | 2019 |
|---|---|---|
| Tax | 314,570 | 310,622 |
| Civil | 35,273 | 36,194 |
| Labor | 121,910 | 102,301 |
| | 471,753 | 449,117 |
| Own judicial deposits | 226,040 | 191,688 |
| Refundable judicial deposits | 245,713 | 257,429 |
| | 471,753 | 449,117 |

## (i) Non-reimbursable legal disputes

| | Tax | Civil | Labor | Environmental | Total |
|---|---|---|---|---|---|
| March 31, 2019 | 41,228 | 59,307 | 203,736 | 48,131 | 352,402 |
| Provisioned for the year (a) | 38,436 | 7,501 | 223,442 | 2,523 | 271,902 |
| Write-offs/reversals (a) / (b) | (20,264) | (7,655) | (125,960) | (12,693) | (166,572) |
| Derecognition upon formation of the joint venture (Note 13) | - | - | (350) | - | (350) |
| Write-off by disposal of subsidiary | (99) | - | (28) | - | (127) |
| Payments | (2,104) | (1,229) | (63,386) | (7,910) | (74,629) |
| Inflation adjustments and net exchange variation (b) | 3,060 | (147) | 62,948 | 2 | 65,863 |
| Effect of foreign currency translation and other | (134) | (37,348) | 6,991 | 10,376 | (20,115) |
| March 31, 2020 | 60,123 | 20,429 | 307,393 | 40,429 | 428,374 |

(a) Recognized in income (loss) for the year under Sales taxes and General and administrative expenses captions and Other operating expenses, except for reversals of inflation adjustment, recognized in financial income (loss).

(b) Calculated in income (loss) for the year in the heading "Financial income (loss)".

## (ii) Reimbursable legal disputes

| | Tax | Civil | Labor | Environmental | Total |
|---|---|---|---|---|---|
| March 31, 2019 | 835,285 | 133,077 | 105,107 | 52,051 | 1,125,520 |
| Provisioned for the year | 39,242 | 44,463 | 14,523 | 4,838 | 103,066 |
| Write-offs/reversals | (142,273) | (26,887) | (23,762) | 418 | (192,504) |
| Payments | (25,994) | (8,753) | (16,381) | (29,111) | (80,239) |
| Inflation adjustments and net exchange variation | 84,273 | 25,240 | 11,618 | 1,008 | 122,139 |
| Effect of foreign currency translation and other | - | 52,527 | -- | - | 52,527 |
| March 31, 2020 | 790,533 | 219,667 | 91,105 | 29,204 | 1,130,509 |

## (iii) Total legal disputes

| | Tax | Civil | Labor | Environmental | Total |
|---|---|---|---|---|---|
| March 31, 2019 | 876,513 | 192,384 | 308,843 | 100,182 | 1,477,922 |
| Provisioned for the year | 77,677 | 51,965 | 237,965 | 7,361 | 374,968 |
| Write-offs/reversals | (162,537) | (34,542) | (149,722) | (12,275) | (359,076) |
| Derecognition upon formation of the joint venture (Note 13) | - | - | (350) | - | (350) |
| Write-off by disposal of subsidiary | (99) | - | (28) | - | (127) |
| Payments | (28,098) | (9,982) | (79,767) | (37,021) | (154,868) |
| Inflation adjustments and net exchange variation | 87,333 | 25,093 | 74,566 | 1,010 | 188,002 |
| Effect of foreign currency translation | (133) | 15,178 | 6,991 | 10,376 | 32,412 |
| March 31, 2020 | 850,656 | 240,096 | 398,498 | 69,633 | 1,558,883 |

## (a) Tax

| | 2020 | 2019 |
|---|---|---|
| Social security charges (“INSS”) | 5,315 | 4,575 |
| Value-Added Tax on Sales and Services (“ICMS”) (1) | 491,977 | 507,560 |
| Excise tax ("IPI") (2) | 130,896 | 142,194 |
| Social Integration Program (“PIS and Contribution for the Financing of Social Security (“COFINS”) (3) | 58,589 | 57,442 |
| Lawyers' fees (4) | 73,239 | 74,411 |
| Income tax and Social Contribution (IRPJ and CSLL) (4) | 78,352 | 77,107 |
| Others | 12,288 | 13,224 |
| | 850,656 | 876,513 |
| Non-reimbursable legal disputes | 60,123 | 41,228 |
| Reimbursable legal disputes | 790,533 | 835,285 |
| | 850,656 | 876,513 |

## (1) ICMS

Amount recorded as provision for ICMS credits is represented by: (a) tax assessments received that, despite being defended, are considered as probable loss by the Group’s legal advisors; (b) using finance credits and charges in matters on which understanding of the Group’s management and tax advisors differ from tax authorities’ interpretations, (c) questioning of the breach of accessory obligation (CAT Ordinance) in the period from January 2001 to December 2004, related to the methodology for calculating ICMS credits in the state of São Paulo, in the restated amount of R$ 118,115 (R$ 115,514 in 2019); and (d) ICMS credits on interstate operations after Law 87/96 of the States of Minas Gerais and Amazonas, comprising the period from 1996 to 2012, and referring to fuels purchased from Petrobras and resold by means of interstate transactions (exempt from ICMS tax), for which a provision was formed in the restated amount of R$ 278,992 (R$ 267,792 in 2019), since Shell obtained an unfavorable decision in the court of last resort.

**(2) IPI**

Amount recorded as a provision for IPI credits is represented by: (a) tax assessment received referring to imported merchandise and other assessments; (b) offset of credits deriving from inputs used in exempt shipments; and, (c) "IPI Seletividade", a matter recently judged by the Federal Supreme Court ("STF") using the General Repercussion systematic process (General Repercussion No. 592.145, matter 080) in an unfavorable way to the corporate taxpayer.

**(3) PIS and COFINS**

Amount recorded as a provision for PIS and COFINS credits is as follows: (a) contribution of period from 1997 to 1999 referring to merger of company; and (b) IPI credits used to offset PIS and COFINS deriving from inputs used in exempt shipments.

**(4) Lawyers' fees**

The Group contracts law firms to defend it in civil, tax and labor lawsuits. Some contracts provide for attorneys' remuneration as a percentage on successful lawsuit value. The Group records a provision for amounts payable to law firms referring to lawsuits whose likelihood of loss is remote or after judicial decision in first instance for lawsuits whose likelihood of loss is possible.

**(5) IRPJ and CSLL**

These refer to decisions related to different offsets carried out by PER/DCOMP - (Eletronic applications for refunds) related to IPI credits used to offset IRPJ and CSLL. Said offset stopped being homologated because a tax assessment notice was issued to stop recognition of credits based on the fact that, in the period from January 2008 to September 2010, (a) RCSA did not segregate and pay IPI owed at the rate of 8% on certain transactions classified in TIPI (table of IPI levy), and (b) RCSA did not reverse IPI credits referring to inputs used for industrialization of certain products classified in TIPI, considering that shipment of such products are not taxed.

In first item, controversy occurs due to divergence about classification of products as oil by-products and, in the second item, it occurs because authorities do not recognize the right to maintain IPI credits on shipment transactions that are exempt or not taxed.

**(b) Civil, labor and environmental**

The Group is party to various civil actions consisting of (i) damages for material losses and pain and suffering; (ii) disputes on contracts;; (iii) repairing environmental damage caused by a fuel leak; and, (vi) contractual, real estate and credit recovery, including discussions about contract breaches, possession of the Group's properties and recovery of amount not paid by clients.

The Group is also party to several labor complaints filed my former employees and employees of service providers who demand, among other things, payment for overtime work, night shift premium and hazardous duty premium, readmission into the job, return of payroll discounts, such as trade union optional and mandatory contributions, among others.

The main environmental actions are related to environmental remediation to be carried out at gas stations, distribution hubs, airports and client distribution centers and they include the removal of contaminated material, treatment of the land, laboratory tests and post-remediation monitoring.

**Legal disputes are considered as possible loss and, thus, no provision for legal disputes has been recognized in the combined consolidated financial statements.**

## (a) Tax

| | 2020 | 2019 |
|---|---|---|
| ICMS (1) | 4,869,363 | 4,468,161 |
| INSS (2) | 211,521 | 237,026 |
| IPI (3) | 344,029 | 330,217 |
| Income tax and Social Contribution (IRPJ and CSLL) (4) | 3,561,628 | 2,905,491 |
| PIS, COFINS (4) | 6,198,143 | 3,692,983 |
| Offsets with IPI credit - IN 67/98 (5) | 136,871 | 135,215 |
| MP 470 Debt in installments (6) | 189,882 | 186,431 |
| Other | 1,062,653 | 812,497 |
| | 16,574,090 | 12,768,021 |
| Non-reimbursable legal disputes | 8,146,261 | 4,183,433 |
| Reimbursable legal disputes | 8,427,829 | 8,584,588 |
| | 16,574,090 | 12,768,021 |

## (1) ICMS

Refers substantially to: (i) part related to fine of tax assessment issued due to alleged lack of ICMS payment and non-compliance with accessory obligation, in agricultural partnership for on-demand industrialization in periods from May 2005 to March 2006 and from May 2006 to March 2007; (ii) ICMS levied on crystal sugar for export that, as understood by tax agent, is classified as semi-finished product and, in accordance with ICMS regulation, would be subject to taxation; (iii) ICMS levied on alleged divergences on sugar and ethanol inventories deriving from comparison between magnetic tax files and inventory registration books; (iv) tax assessment related to charge of ICMS rate difference deriving from ethanol sales to companies located in other states of the Federation, which had their state registrations canceled; (v) requirement of ICMS deriving from disallowances of diesel credits used in agricultural-industrial production process, the defense was presented because it is essential to the activities of the Company based on article 155, §2, I of Federal Constitution and Complementary Law 87/96; (vi) lack of reversal of ICMS credits; (vii) lack of full reversal of ICMS-ST credits for ICMS tax substitution (“ICMS-ST”); (viii) non-compliance with ancillary obligations; (ix) ICMS-ST requirement in inter-state sales to industrial clients; (x) undue use of credits from Controls for ICMS tax Credits on property plant and equipment (“CIAP”); (xi) inventory difference; (xii) alleged undue use of credits related to ICMS-ST on diesel in the capacity of final consumer; (vii) alleged undue deemed credit taking; and (xiv) alleged undue use of tax credits related to freight (transportation services) since the subsequent operation is exempt or not taxed.

**(2) INSS**

Possible legal disputes related to INSS involve mainly: (i) review of contingencies linked to IN MPS/SRP No. 03/2005, regarding the period from 2005 to 2011, which are currently assessed as a low probability of having an unfavorable result due to probable recognition of cadence. Regulatory Instruction no. 03 of 2005, which restricted constitutional immunity of social security contributions on revenues from export and started to tax exports carried out through trading companies; (ii) requirement of contribution to SENAR in direct and indirect export transactions for which Federal Revenue Service ("RFB") understands that constitutional immunity does not apply; and, (iii) mandatory payment of social security contribution on resale of merchandise in domestic market and to third parties that are not included in calculation basis of social contribution levied only on gross revenue from establishment production and not from acquired goods.

**(3) IPI**

RFB Regulatory Instruction no. 67/98 supported procedure adopted by industrial establishments that made shipments without recording and paying IPI related to transactions with cane sugars: demerara, high-quality crystal, special crystal, extra special crystal, and granulated refined sugar carried out in the period from July 6, 1995 to November 16, 1997, and with refined amorphous sugar in the period from January 14, 1992 to November 16, 1997. This standard was carried into effect in the respective proceedings brought by Brazilian Federal Revenue Service, whose likelihood of loss is classified as possible, according to the assessment of the Group's legal advisors.

## (4) IRPJ, CSLL, PIS, COFINS and IOF

Main lawsuits refer to: (a) assessment notices related to the offset of credits from the Semi-Annual PIS regime and offsets of federal taxes not ratified by the Federal Revenue Service, for which the Group has been questioning these collections at the proper levels; (b) assessment notices for the collection of IRPJ and CSLL for the years 2011, 2012 and 2013, derived from the exclusion of income from amortization of goodwill on investments evaluated under the equity. This goodwill was contributed by Cosan Lubrificantes e Especialidades S.A., formerly Cosan Combustíveis e Lubrificantes S.A., to RCSA, whose assessment was filed against it, relating to years 2009 to 2011. The Group presented a challenge requesting full cancellation of tax assessment notice issued; (c) disallowances of PIS and CONFINS credits, in the non-cumulative system, provided for in the Laws No. 10.637/2002 and 10.833/2003. These rejections arise, in summary, due to the restrictive interpretation of the Federal Revenue Service in regard to the concept of "inputs" as well as differences regarding the interpretation of the referred to laws. Such questions are at the administrative level; (d) to requests of reimbursement of PIS and COFINS linked to offset processes. After presentation of Terms of Disagreement in March 2013, DRJ (Judgment Office) determined write-off of processes in progress, so that PIS and COFINS credit rights referring to certain quarters of years 2008 and 2009 are recalculated; (e) in the year ended March 31, 2020, the Brazilian internal revenue service considered as "non-declared" the requests for reimbursement and/or offsetting of non-cumulative PIS and COFINS credits with different origins (Laws 10.637/02 and 10.833/03) for the periods from 2014 to 2016, based on the argument that the credits are linked to a lawsuit that discusses the exclusion of ICMS from the PIS and COFINS calculation basis. Because the understanding of the tax authorities is mistaken, the Company continues with the administrative discussion. (f) tax assessment notices related to unconstitutionality of expansion of PIS/COFINS calculation basis brought by Law no. 9.718/98, in which STF considered as unconstitutional; (g) assessment notices filed by the RFB for the collection of IRPJ and CSLL from prior years relating to offsets of tax losses, deductibility of amortization expenses of goodwill and taxation of differences of revaluations of assets comprising property plant and equipment ; (h) lawsuit in 2018, related to the disallowance of goodwill based on expected future profitability, deducted from the corporate income tax (IRPJ) and social contribution (CSLL) tax base for the calendar years 2013 to 2016, in the amount of R$ 454,362. The defense was presented considering that the amortization of goodwill occurred under the terms of the applicable legislation (article 386 of RIR/99 and articles 7 and 8 of Law No. 9.532/97); and (i) PIS and COFINS difference determined because of CIDE offset. For inspectors, this deduction could only be made if it had been paid.

## (5) Offsets with IPI credit - IN 67/98

RFB Regulatory Instruction Number 67/98 brought with it the possibility of a refund of IPI collected in the period from January 14, 1992, to November 16, 1997, on amorphous refined sugar. Accordingly, RESA, for the periods in which payment was made, it pleaded to offset amounts against other taxes due. However, the Federal Revenue Service dismissed requests for restitution as well as an offset. Thus, RESA administratively appealed against the dismissal.

After notification of payment of debts object to an offset in view of the changes introduced by IN SRF Number 210/02, RESA filed a writ of mandamus with an injunction request to suspend the enforceability of offset taxes, with the aim of impeding the Public Administration from executing these debts. The injunction was granted by the competent court.

### (6) MP 470 - Installment payment of debts

Federal Revenue Service partially rejected requests for payment of federal tax debts in installments made by RESA, with the argument that offered tax loss is not sufficient to settle respective debts. RESA and its legal advisors consider that the losses indicated existed and were available for such use.

### (b) Civil, labor and environmental

| | 2020 | 2019 |
|---|---|---|
| Civil | 1,258,802 | 1,287,709 |
| Labor | 290,438 | 399,961 |
| Environmental | 53,794 | 25,525 |
| | 1,603,034 | 1,713,195 |
| Non-reimbursable legal disputes | 473,101 | 543,763 |
| Reimbursable legal disputes | 1,129,933 | 1,169,432 |
| | 1,603,034 | 1,713,195 |

## 21. Commitments

### Purchasing

RESA and its subsidiaries have various purchase commitments for sugarcane with third parties in order to guarantee part of its production in subsequent harvests. The amount of sugarcane to be acquired is calculated based on the estimated amount per milled area based on their expected productivity where sugarcane plantations are located. The amount to be paid by RESA is determined at the end of each crop year, according to prices published by the CONSECANA (Council of Sugarcane, Sugar and Ethanol Producers in the São Paulo State – Brazil).

RCSA has fuel purchase agreements with third parties in order to secure part of its trading future, also has contracts for rail transportation, road, and ferry services, with the purpose of transporting fuel from the supply bases to the reseller stations, whose amount to be paid is determined according to the price agreed in the contract.

The Group has stockpiling service contracts for fuels with third parties, in accordance with logistics and storage objectives of fuels in certain regions.

RESA entered into agreement with Rumo group for the transportation and elevation of sugar exports

As of March 31, 2020, the volumes related to the purchase commitments and service agreements per crop are as follows:

| Years | Sugarcane (In tons) | Fuel (in cubic meters) | Railway Transportation (in cubic meters) | Storage (in cubic meters) | Transportation and sugar lifting services (in tons) |
|---|---|---|---|---|---|
| 2021 | 27,503,000 | 1,410,525 | 3,485,783 | 7,251,605 | 3,000,000 |
| 2022 | 34,640,211 | - | 683,753 | 4,141,691 | 3,920,000 |
| 2023 | 31,013,606 | - | 685,134 | 2,939,396 | 4,500,000 |
| 2024 | 27,911,929 | - | 686,838 | 2,551,472 | 4,500,000 |
| >2025 | 76,124,572 | - | 561,640 | 2,284,483 | - |
| Total contracted volume | 197,193,318 | 1,410,525 | 6,103,148 | 19,168,647 | 15,920,000 |
| Estimated total payment (nominal value) | 13,908,667 | 3,551,669 | 271,603 | 984,990 | 1,681,680 |

## 22. Equity

In the context of the combined consolidated financial statements, the captions comprising the equity (capital, capital and profit reserves, equity valuation adjustments, among other) usually are not relevant. Therefore, the statements of changes in equity of these combined consolidated financial statements include only two items named equity attributed to controlling shareholders and interest of non-controlling shareholders.

The information disclosed in this note derives from the individual and consolidated financial statements of RESA and RCSA. Accordingly, as presented in Note 1.e, these combined consolidated financial statements of the Group do not represent the individual and consolidated annual financial statements of these entities and its subsidiaries.

### (a) Capital

### (a.1) RESA

As of March 31, 2020 and 2019, capital totaled R$ 6,516,354. That caption does not include the balance of redeemable preferred shares - liability financial instruments in the amount of R$ 3,745 (R$ 5,161 in 2019) totaling R$ 6,512,609 (R$ 6,511,193 in 2019).

Capital is fully subscribed for and paid in and is divided as follows:

| | Shareholders (shares in units) | | | |
|---|---|---|---|---|
| | Shell | CIP Cosan Investimentos e Participações S.A ("CIP")(1) | Cosan S.A. | Total |
| Common | 3,621,641,599 | 3,621,641,599 | - | 7,243,283,198 |
| Class-A preferred shares | - | - | 1 | 1 |
| Class-B preferred shares | - | - | 133,242,457 | 133,242,457 |
| Class-D preferred shares (1) | 100,000 | - | - | 100,000 |
| Total as of March 31, 2020 and 2019 | 3,621,741,599 | 3,621,641,599 | 133,242,458 | 7,376,625,656 |

(1) In June 2014, Cosan S.A. contributed its entire ordinary share from RCSA to CIP.

### Redeemable preferred shares

Tax benefits resulting from NOL and GW recognized before the Raízen formation, should be refund to the respective shareholders as RESA use them as a decrease in balances of the taxes payable.

For the realization of these refunds, Class B preferred shares to Cosan and C and D classes to Shell with the purpose of compensating them through the payment of dividends in the amount of the tax benefit used by RESA.

As of March 31, 2020, the balance of preferred shares (Class B) recognized in equity under Share Capital caption, totaling R$ 3,745 belongs to Cosan (R$ 5,161 in 2019).

## (a.2) RCSA

As of March 31, 2019 and 2020, RCSA's capital totals R$ 1,921,843.

Capital is fully subscribed for and paid in and is divided as follows:

| | Shareholders (shares in units) | | |
|---|---|---|---|
| | **Shell** | **CIP** | **Total** |
| Common | 830,709,236 | 830,709,236 | 1,661,418,472 |
| Class-A preferred shares | 1 | - | 1 |
| Class-D preferred shares | 100,000 | - | 100,000 |
| Class-E preferred shares (1) | 81,897,057 | - | 81,897,057 |
| Total as of March 31, 2020 | 912,706,294 | 830,709,236 | 1,743,415,530 |
| Total as of March 31, 2019 | 994,138,654 | 830,709,236 | 1,824,847,890 |

(1) At the Special Shareholders' Meeting held on September 5, 2019, the RCSA's shareholders approved remuneration to Shell through redemptions of class E preferred shares in the amount of R$ 129,412 and 81,432,360 class E preferred shares were canceled.

## (b) Capital reserves

### Capital reserve

It mainly corresponds to the goodwill reserve arising from the portion of the issue price of shares with no par value that exceeded the amount allocated to the formation of capital. That reserve may only be used to increase capital, absorb losses in excess of retained earnings and profit, redeem, reimburse or purchase shares or to pay cumulative dividends to preferred shares.

### Goodwill special reserve

Derives from downstream mergers in the RESA whose goodwill became deductible for income and social contribution tax purposes. Therefore, RESA recognized goodwill special reserve in equity as an effect of downstream mergers and as an offsetting entry to deferred tax assets that is equivalent to the 34% tax benefit resulting from the amortization of this goodwill.

## (c) Dividends and interest on own capital

Group's dividends are not distributed by the calculations of the combined consolidated financial statements, but individually by RESA and RCSA.

Bylaws of RESA and RCSA assure shareholders a minimum mandatory dividend of 1% of net income at the end of fiscal year, adjusted pursuant to Corporation Law.

The individual calculations for the years ended March 31, 2020, 2019 and 2018, were determined as follows:

- **RCSA**

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net income (loss) for the year | 2,056,092 | 1,654,266 | 1,607,085 |
| Economic grants | - | (41,568) | - |
| Dividends to holders of Class D preferred shares | (729) | (1,498) | (1,486) |
| (-) Offsetting of losses | (6,446) | (2,575) | - |
| Ordinary dividend distribution calculation basis | 2,048,917 | 1,608,625 | 1,605,599 |
| Common shares | | | |
| Minimum mandatory dividend – 1% (1) | (20,489) | (16,086) | (16,056) |
| (-) JCP | (151,463) | (192,400) | (194,000) |
| (-) Dividends paid in advance | (1,347,340) | (1,136,000) | (1,258,500) |
| Total provisioned dividends in the Parent Company | (729) | (1,498) | (1,486) |
| Dividends and interest on own capital – remaining | (62,529) | (13,600) | - |
| Total at Parent company | (63,258) | (15,098) | (1,486) |
| Dividends payable to non-controlling shareholders | (9,768) | (12,443) | (4,849) |
| Total in RCSA Consolidated | (73,026) | (27,541) | (6,335) |

(1) During years ended March 31, 2020 and 2019, interest on own capital and prepaid dividends totaled R$ 1,498,803 and R$ 1,328,400, respectively. Accordingly, there is no provision for minimum mandatory and ordinary dividends because prepaid values related to profits calculated in this fiscal year, were higher than those calculated at percentage defined in the Bylaws.

- **RESA**

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net income for the year | 175,828 | 468,101 | 642,794 |
| (-) Formation of legal reserve - 5% | (8,791) | (23,397) | (32,140) |
| (-) Effect of subsidiary tax incentives | (80,006) | (97,716) | (74,733) |
| Dividends to holders of Class B preferred shares | (1,416) | (5,667) | (10,355) |
| Dividends to holders of Class D preferred shares | (731) | (1,497) | (1,486) |
| Dividend distribution calculation basis | 84,884 | 339,824 | 524,080 |
| Common shares | | | |
| Minimum mandatory dividend – 1% | (870) | - | (5,241) |
| Dividends from non-controlling shareholders | (19,499) | (2,847) | - |
| Total provisioned dividends | (22,516) | (10,011) | (17,082) |
| Remaining dividends and interest on own capital | - | - | |
| Total in RESA Parent Company and Consolidated | (22,516) | (10,011) | (17,082) |

The movement of dividends and interest on capital payable is as follows:

| | RCSA | RESA | Total |
|---|---|---|---|
| Balance at March 31, 2018 | 6,335 | 17,082 | 23,417 |
| Dividends from prior years | 171,413 | 723,411 | 894,824 |
| Dividends of the year | 1,157,737 | 42,836 | 1,200,573 |
| Exclusive dividends | 1,498 | 7,165 | 8,663 |
| JCP | 192,400 | - | 192,400 |
| IRRF on interest on own capital | (28,860) | - | (28,860) |
| Payments | (1,472,155) | (780,482) | (2,252,637) |
| Other | (827) | | (827) |
| Balance at March 31, 2019 | 27,541 | 10,012 | 37,553 |
| Dividends from prior years | 333,733 | 716,280 | 1,050,013 |
| Dividends of the year | 1,357,958 | 20,369 | 1,378,327 |
| Exclusive dividends | 729 | 2,146 | 2,875 |
| JCP | 151,463 | - | 151,463 |
| IRRF on interest on own capital | (22,719) | - | (22,719) |
| Payments | (1,775,009) | (726,291) | (2,501,300) |
| Other | (670) | - | (670) |
| Balance at March 31, 2020 | 73,026 | 22,516 | 95,542 |

## (d) Equity valuation adjustments

### (i) Actuarial (Gain)/loss

Derive from gains and losses and adjustments for experience and changes in actuarial assumptions on the defined benefit pension plan. This component is recognized in other comprehensive income and will not be reclassified to profit or loss in subsequent years.

### (ii) Income (loss) from net investment hedge abroad

It refers to the effective portion with the foreign exchange differences of hedge of net investments of RCSA in foreign entity.

### (iii) Income from financial instruments designated as hedge accounting

This refers to changes in fair value of financial instruments resulting from *hedging* cash flows of sales revenues from sale of VHP sugar, ethanol, exchange fluctuations of certain loans and financing and fuel imports.

### (iv) Effect of foreign currency translation

Corresponds to conversion differences to the actual accounting information of RESA's and RCSA's investees with a functional currency different from the Group.

### (v) Movement in equity valuation adjustments, net of taxes:

| | 2019 | Comprehensive income | 2020 |
|---|---|---|---|
| Effect of foreign currency translation | (102,318) | 1,000,288 | 897,970 |
| Actuarial loss from defined benefit plan | (12,539) | 1,828 | (10,711) |
| Income (loss) from net investment hedge in foreign entity | (35,795) | (9,946) | (45,741) |
| Income (loss) from financial instruments designated as hedge accounting | (269,669) | (454,039) | (723,708) |
| | (420,321) | 538,131 | 117,810 |
| Attributable to: | | | |
| Group's controlling shareholders | (420,316) | 538,126 | 117,810 |
| Group's non-controlling shareholders | (5) | 5 | - |

| | 2018 | Comprehensive income | 2019 |
|---|---|---|---|
| Effect of foreign currency translation | 273 | (102,591) | (102,318) |
| Actuarial loss from defined benefit plan | (11,526) | (1,013) | (12,539) |
| Income (loss) from net investment hedge in foreign entity | - | (35,795) | (35,795) |
| Income (loss) from financial instruments designated as hedge accounting | 7,851 | (277,520) | (269,669) |
| | (3,402) | (416,919) | (420,321) |
| Attributable to: | | | |
| Group's controlling shareholders | (3,397) | (416,919) | (420,316) |
| Group's non-controlling shareholders | (5) | - | (5) |

| | 2017 | Comprehensive income | 2018 |
|---|---|---|---|
| Effect of foreign currency translation | 4,038 | (3,765) | 273 |
| Actuarial loss from defined benefit plan | (11,175) | (351) | (11,526) |
| Income (loss) from financial instruments designated as hedge accounting | (32,251) | 40,102 | 7,851 |
| | (39,388) | 35,986 | (3,402) |
| Attributable to: | | | |
| Group's controlling shareholders | (39,383) | 35,986 | (3,397) |
| Group's non-controlling shareholders | (5) | - | (5) |

## (e) Profit reserves

### (i) Legal reserve

The legal reserve consists of the allocation of 5% of the profit reported in the year, according to the by-laws of RESA and RCSA, parent company and in compliance with LSA.

On March 31, 2020 and 2019, as established by the LSA, RCSA did not allocate 5% of net income to the caption of its legal reserve, since the legal reserves and capital, together, exceeded 30% of the capital.

### (ii) Profit retention reserve

It refers to the remaining balance of the Group's profit, after the appropriations made to set up the legal reserve and to accrue dividends. Under RESA's and RCSA's by-laws, up to 80% of the year's profit may be allocated to that reserve, to fund operations and to new investments and projects, which may not exceed the percentage of 80% of capital.

### (iii) Tax incentive reserve

The tax incentive reserve is credited with the tax incentive benefits, which are recognized in the statement of income for the year and allocated from retained earnings to this reserve. These incentives are not included in the calculation of the minimum mandatory dividend and refer to: (a) "Produzir" state incentive program with the State of Goiás, in the form of financing a portion of ICMS payment; (b) tax benefit in sugar industrialization transactions in the state of Mato Grosso do Sul, equivalent to 67% of the debt balance of the ICMS and the deemed Ethanol credit; and (c) economic grant provided by the Federal Government in operations related to sale of diesel.

## 23. Net operating revenue

The breakdown of the Group's gross revenue is as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Domestic market | 104,234,434 | 100,572,838 | 83,349,717 |
| Foreign market | 26,713,506 | 10,835,707 | 6,525,388 |
| Gross revenue from sale of products and services | 130,947,940 | 111,408,545 | 89,875,105 |
| Income (loss) from financial instruments designated as hedge accounting | (121,329) | 454,494 | 374,633 |
| Results from commodity financial instruments not designated as hedge accounting | 358,814 | (99,015) | 42,374 |
| Returns and cancellations | (760,770) | (526,823) | (448,610) |
| Sales taxes | (8,839,565) | (6,339,739) | (2,834,232) |
| Commercial discounts | (420,935) | (402,732) | (297,259) |
| Amortization of exclusive supply rights (Note 12) | (505,769) | (452,503) | (396,951) |
| Others | (77,836) | (69,189) | (53,854) |
| Net operating revenue | 120,580,550 | 103,973,038 | 86,261,206 |

Detailing of net operating revenue per product is as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Diesel | 46,057,231 | 39,988,988 | 32,756,542 |
| Gasoline | 36,692,732 | 33,285,917 | 31,898,957 |
| Ethanol | 19,165,586 | 14,748,890 | 10,637,541 |
| *Jet* A-1 | 6,661,097 | 6,405,478 | 3,954,988 |
| Sugar | 4,646,782 | 3,902,099 | 5,435,876 |
| Energy | 3,866,040 | 3,463,542 | 952,197 |
| Others | 3,491,082 | 2,178,124 | 625,105 |
| | 120,580,550 | 103,973,038 | 86,261,206 |

## 24. Costs and expenses by nature

### Reconciliation of costs and expenses by nature

Costs and expenses are shown in the income (loss) by function. The reconciliation of the Group's results by nature for the years ended March 31, 2020, 2019 and 2018 is as follows:

### Costs and expenses per type

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Fuels for resales and raw material, collection and transfer costs | (108,551,889) | (93,609,732) | (75,275,572) |
| Depreciation and amortization | (3,951,911) | (2,452,718) | (2,345,337) |
| Personnel expenses | (1,964,129) | (1,857,145) | (1,770,178) |
| Cutting, loading and transportation | (937,546) | (931,944) | (800,816) |
| Realization of fair value of biological assets | 9,686 | (266,494) | (639,996) |
| Change in fair value of biological assets | 3,195 | 5,335 | 272,564 |
| Maintenance materials | (395,740) | (383,759) | (371,015) |
| Commercial expenses | (514,833) | (359,552) | (352,966) |
| Outsourced labor | (476,084) | (392,444) | (335,886) |
| Logistics expenses | (350,348) | (302,858) | (242,411) |
| Other | (505,736) | (1,135,928) | (1,423,060) |
| | (117,635,335) | (101,687,239) | (83,284,673) |

### Classified as:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Cost of products sold and services rendered | (113,308,678) | (98,008,548) | (80,050,279) |
| Sales expenses | (3,090,163) | (2,526,598) | (2,139,156) |
| General and administrative expenses | (1,236,494) | (1,152,093) | (1,095,238) |
| | (117,635,335) | (101,687,239) | (83,284,673) |

## 25. Other operating revenues, net

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Gain in the formation of the joint venture, net | 1,073,459 | - | - |
| Net recognition of tax assets, net (1) | 464,935 | 225,313 | 218,699 |
| Gain on bargain purchase(Note 31) | 219,921 | - | - |
| Revenues from rental and leases | 136,862 | 106,163 | 91,802 |
| Gain in the disposal of property, plant and equipment | 104,690 | 113,400 | 95,198 |
| Revenue from royalties | 54,226 | 67,294 | 59,957 |
| Merchandising | 54,460 | 67,708 | 57,249 |
| Commissions on sales of lubricants, cards and payment means | 21,410 | 29,729 | 36,919 |
| Capital gain due to dilution of ownership interest | - | 109,467 | - |
| Credits from indemnity suits | - | 221,373 | - |
| Gain in the disposal of shares | 5,797 | - | 53,747 |
| Reversal (formation) of estimated loss on non-realization of taxes and fees (2) | (15) | 91,136 | 1,034 |
| Net reversal (formation) of estimated loss in investments and property plant and equipment and intangible assets | (2,934) | 146,628 | 3,823 |
| Other revenues, net | 14,502 | 73,757 | 3,636 |
| | 2,147,313 | 1,251,968 | 622,064 |

(1) Refers mainly to the recovery of tax credits arising from the Group's activities. During the year ended March 31, 2020, the Group recorded credits arising from the exclusion of ICMS from the PIS and COFINS tax basis, in the amount of R$ 210,841.

(2) As of March 31, 2019, it referred, mainly, to reversal of estimated loss on realization of ICMS in certain States recognized in prior years.

## 26. Financial results

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Financial expenses | | | |
| Interest | (1,460,658) | (980,910) | (783,474) |
| Holding loss | (145,705) | (152,678) | (99,863) |
| PIS and COFINS on financial income | (55,217) | (38,912) | (34,524) |
| Other | (120,105) | (115,956) | (42,462) |
| | (1,781,685) | (1,288,456) | (960,323) |
| Fair value of financial instruments (Note 18) | (229,969) | (213,303) | 19,776 |
| Amounts capitalized on qualifying assets (Note 14) | 38,021 | 30,825 | 36,150 |
| | (1,973,633) | (1,470,934) | (904,397) |
| Financial income | | | |
| Yields from financial investments | 167,791 | 134,046 | 237,306 |
| Interest | 338,741 | 393,309 | 321,013 |
| Holding gain and others | 29,446 | 82,938 | 60,787 |
| | 535,978 | 610,293 | 619,106 |
| Exchange-rate change, net | (4,081,951) | (781,306) | (324,948) |
| Net effect of the derivatives | 3,904,385 | 850,327 | 187,081 |
| | (1,615,221) | (791,620) | (423,158) |

## 27. Financial instruments

### (a) Overview

The Group presents exposure to the following main risks deriving from its operations, which are equalized and managed with the use of certain financial instruments: (i) Price risk, (ii) Exchange rate risk, (iii) Interest rate risk, (iv) Credit risk and (v) Liquidity risk.

### (b) Risk management structure

The Group has specific treasury and trading policies that set risk management guidelines, but never operating with derivatives which are beyond the notional total of underlying asset or liability.

The Group has two main committees to monitor activities and ensure policy compliance: (i) A risk committee whose members gather weekly to analyze the behavior of commodity (sugar and oil by-products) and foreign exchange markets, in order to decide on coverage positions and the strategy to fix the prices of exports and imports to reduce the negative effects of changes in commodities' prices and foreign exchange rate. and (ii) Committee on ethanol and by-products, which meets on a monthly basis to evaluate risks related to trading of ethanol and by-products and adequacy to limits defined in risk policies.

The Group is exposed to market risks, and main ones are: (i) fluctuations in sugar, electric power, ethanol and by-product prices; (ii) fluctuations in exchange rates; and, (iii) fluctuations in interest rates. The purchases of financial instruments for hedging purposes are made according to an analysis of the risk exposure that Management intends to cover.

As of March 31, 2020 and 2019, the fair values of transactions with derivative financial instruments for hedging purposes measured according to observable data, such as prices quoted in active markets or discounted cash flows according to market curves and are presented below:

| | Notional | | Fair value | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Price risk | | | | |
| Commodity derivatives | | | | |
| Futures contracts | 6,097,400 | 2,284,379 | 1,905,331 | 80,971 |
| | 6,097,400 | 2,284,379 | 1,905,331 | 80,971 |
| Foreign exchange rate risk | | | | |
| Foreign exchange rate derivatives | | | | |
| Futures contracts | 181,955 | (61,373) | (973) | 595 |
| Forward contracts | 5,444,463 | 662,439 | (742,773) | 15,693 |
| FX lock | - | 194,835 | - | 304 |
| FX swap | (15,698,579) | (6,958,896) | 3,039,373 | 673,781 |
| | (10,072,161) | (6,162,995) | 2,295,627 | 690,373 |
| Interest rate risk | | | | |
| Interest rate swap | (3,063,533) | (1,357,043) | 194,958 | 140,563 |
| | (3,063,533) | (1,357,043) | 194,958 | 140,563 |
| Total | | | 4,395,916 | 911,907 |
| Current assets | | | 5,016,307 | 797,405 |
| Non-current assets | | | 3,128,089 | 856,901 |
| Total assets | | | 8,144,396 | 1,654,306 |
| Current liabilities | | | (3,640,357) | (698,742) |
| Non-current liabilities | | | (108,123) | (43,657) |
| Total liabilities | | | (3,748,480) | (742,399) |
| Total | | | 4,395,916 | 911,907 |

## (c) Price risk

Results from the possibility of fluctuations in the market prices of the products sold by the Group, mainly VHP sugar, refined and white sugar (sugar #5 or *white sugar*), heating oil, gasoline, ethanol, energy and crude oil. These price fluctuations may cause substantial alterations in the sales revenues

and costs. To mitigate these risks, the Group permanently monitors markets, seeking to anticipate price changes.

**Price risk: goods derivatives outstanding on March 31, 2020**

| Derivatives | Purchased / Sold | Market | Contract | Maturity | Notional (units) | | Notional (R$ thousand) | Fair value (R$ thousand) |
|---|---|---|---|---|---|---|---|---|
| Future | Sold | NYSE LIFFE | Sugar#5 | Apr/20–July/20 | 92,950 | t | 179,525 | 15,507 |
| Future | Sold | ICE | Sugar#11 | Apr/20–Feb/22 | 4,808,752 | t | 7,657,841 | 1,612,340 |
| Options | Sold | ICE | Sugar#11 | Apr/20–Feb/22 | 1,055,471 | t | 88,269 | (166,218) |
| Sub-total sugar future sold | | | | | 5,957,173 | t | 7,925,635 | 1,461,629 |
| Future | Purchased | NYSE LIFFE | Sugar#5 | Apr/20–July/20 | (43,850) | t | (87,845) | (8,650) |
| Future | Purchased | ICE | Sugar#11 | Apr/20–June/21 | (2,080,765) | t | (3,293,563) | (746,473) |
| Options | Purchased | ICE | Sugar#11 | Apr/20–June/21 | (1,107,899) | t | (63,424) | 280,788 |
| Options | Purchased | OTC | Sugar#11 | Apr/21–Apr/21 | (485,934) | t | (123,339) | (847) |
| Sub-total sugar future purchased | | | | | (3,718,448) | t | (3,568,171) | (475,182) |
| Subtotal sugar future | | | | | 2,238,725 | t | 4,357,464 | 986,447 |
| Future | Sold | B3 | Ethanol | Mar/20–Sept/20 | 3,150 | m³ | 31,851 | 338 |
| Future | Sold | CME | Ethanol | Apr/20–Mar/21 | 679,530 | m³ | 2,006,795 | 351,439 |
| Future | Sold | OTC | Ethanol | Apr/20–Mar/21 | 749,225 | m³ | 583,294 | 19,391 |
| Options | Sold | OTC | Ethanol | Apr/20–June/20 | 4,500 | m³ | (581) | (3,074) |
| Sub-total ethanol future sold | | | | | 1,436,405 | m³ | 2,621,359 | 368,094 |
| Future | Purchased | B3 | Ethanol | Mar/20–Sept/20 | (15,600) | m³ | (149,567) | (844) |
| Future | Purchased | CME | Ethanol | Apr/20–Dec/20 | (561,300) | m³ | (1,684,374) | (292,268) |
| Future | Purchased | OTC | Ethanol | Apr/20–Mar/21 | (662,250) | m³ | (442,740) | 4,529 |
| Option | Purchased | CME | Ethanol | Apr 2020 | (1,000) | m³ | (38) | (38) |
| Sub-total ethanol future purchased | | | | | (1,240,150) | m³ | (2,276,719) | (288,621) |
| *Physical fixed* | Sold | CHGOETHNL | Ethanol | Apr/20–Mar/21 | 390,818 | m³ | 890,089 | 74,004 |
| Sub-total physical fixed ethanol sold | | | | | 390,818 | m³ | 890,089 | 74,004 |
| *Physical fixed* | Purchased | CHGOETHNL | Ethanol | Apr/20–Feb/21 | (554,326) | m³ | (933,165) | (8,116) |
| Sub-total physical fixed ethanol purchased | | | | | (554,326) | m³ | (933,165) | (8,116) |
| Sub-total future physical fixed ethanol | | | | | 32,747 | m³ | 301,564 | 145,361 |
| Future | Sold | NYMEX | Gasoline | Apr/20–Feb/22 | 706,119 | m³ | 1,356,181 | 584,411 |
| Future | Sold | ICE | Gasoline | Apr/20–Dec/21 | 508,005 | m³ | 802,963 | 286,764 |
| Options | Sold | OTC | Gasoline | Apr/20–May/20 | 55,968 | m³ | (4,929) | 2,979 |
| Sub-total future gasoline purchased | | | | | 1,270,092 | m³ | 2,154,215 | 874,154 |
| Future | Purchased | NYMEX | Gasoline | Apr/20–June/21 | (519,771) | m³ | (853,844) | (278,978) |
| Future | Purchased | ICE | Gasoline | Apr/20–Dec/21 | (508,005) | m³ | (796,015) | (279,815) |
| Options | Purchased | CME | Gasoline | Apr/20–May/20 | (55,968) | m³ | 8,118 | 209 |
| Sub-total future gasoline sold | | | | | (1,083,744) | m³ | (1,641,741) | (558,584) |
| Subtotal future gasoline | | | | | 186,348 | m³ | 512,474 | 315,570 |
| *Physical fixed* | Sold | OTC | Energy | Apr/20–Dec/31 | 13,876,619 | mwh | 2,706,394 | 501,138 |
| *Physical fixed* | Purchased | OTC | Energy | Apr/20–Dec/31 | (13,876,619) | mwh | (2,422,806) | (217,302) |
| Subtotal future *physical fixed* electric power | | | | | - | | 283,588 | 283,836 |
| Future | Purchased | NYMEX | Gasoline | Apr 2020 | (35,616) | m³ | (40,816) | (11,827) |
| Future | Purchased | NYMEX | Heating oil | Apr/20–May/20 | (77,750) | m³ | (75,660) | (38,875) |
| Sub-total future heating oil/gasoline bought | | | | | (113,366) | m³ | (116,476) | (50,702) |
| | | | | | | m³ | | |
| Future | Sold | NYMEX | Gasoline | Apr 2020 | 175,059 | m³ | 309,812 | 167,328 |
| Future | Sold | NYMEX | Heating Oil | Apr/20–May/20 | 335,649 | m³ | 448,974 | 57,491 |
| Sub-total heating oil/gasoline sold | | | | | 510,708 | m³ | 758,786 | 224,819 |
| | | | | | | m³ | | |
| Sub-total heating oil/gasoline | | | | | 397,342 | m³ | 642,310 | 174,117 |
| Net exposure of commodity derivatives as of March 31, 2020 | | | | | | | 6,097,400 | 1,905,331 |
| Net exposure of commodity derivatives as of March 31, 2019 | | | | | | | 2,284,379 | 80,971 |

## (d) Foreign exchange rate risk

Foreign exchange rate risks arise from the possibility of fluctuations in the exchange rates used by Raízen Group for export revenues, imports, financing cash flows and other foreign currency assets and liabilities. The Group uses derivative transactions to manage cash flow risk denominated in US dollars, net of other cash and cash equivalent flows. The table below shows the positions for derivatives used to cover foreign exchange rate risks:

| | | | | | Exchange rate risk: outstanding foreign exchange derivatives on March 31, 2020 | | |
|---|---|---|---|---|---|---|---|
| **Derivatives** | **Purchased / Sold** | **Market** | **Contract** | **Maturity** | **Notional (US$ thousand)** | **Notional (R$ thousand)** | **Fair value (R$ thousand)** |
| Future | Sold | B3 | Trade dollar | Apr/20–May/20 | 643,500 | 3,345,364 | (12,326) |
| Subtotal future sold | | | | | 643,500 | 3,345,364 | (12,326) |
| Future | Purchased | B3 | Trade dollar | Apr/20–May/20 | (608,500) | (3,163,409) | 11,353 |
| Subtotal future bought | | | | | (608,500) | (3,163,409) | 11,353 |
| Subtotal future purchased/sold | | | | | 35,000 | 181,955 | (973) |
| Term | Sold | OTC/Cetip | *Non Deliverable Forward - NDF* | Apr/20–May/20 | 4,212,674 | 21,900,428 | (1,646,304) |
| Term | Purchased | OTC/Cetip | *NDF* | Apr/20–May/20 | (3,165,400) | (16,455,965) | 903,531 |
| Subtotal term purchased/sold | | | | | 1,047,274 | 5,444,463 | (742,773) |
| FX swap | Sold | OTC | FX swap | Oct/21–Jan/27 | 506,000 | 2,630,542 | (1,197,536) |
| FX swap | Purchased | OTC | FX swap | Apr/20–Jan/27 | (3,525,713) | (18,329,121) | 4,236,909 |
| Subtotal FX swap | | | | | (3,019,713) | (15,698,579) | 3,039,373 |
| Net exposure of foreign exchange derivatives as of March 31, 2020 | | | | | (1,937,439) | (10,072,161) | 2,295,627 |
| Net exposure of foreign exchange derivatives as of March 31, 2019 | | | | | (1,581,593) | (6,162,995) | 690,373 |

On March 31, 2020, the summary of the quantitative data on Group's net exposure, considering the foreign exchange rate of all currencies to USD, is presented below:

| | R$ | US$ (in thousands) |
|---|---|---|
| Cash and cash equivalents (Note 3) | 5,529,966 | 1,063,721 |
| Restricted cash (Note 5) | 127,432 | 24,512 |
| Accounts receivable - Abroad (Note 6) | 1,007,285 | 193,757 |
| Related parties (Note 11.a) | (572,178) | (110,062) |
| Suppliers (Note 16) | (6,139,473) | (1,180,963) |
| Loans and financing (Note 18) | (15,736,428) | (3,026,993) |
| Lease liabilities (Note 17) | (528,594) | (101,678) |
| Derivative financial instruments (Note 27.d) (1) | | 1,937,439 |
| Net foreign exchange exposure | | (1,200,267) |
| Derivatives settled in the month following the closing (2) | | 2,274 |
| Net foreign exchange exposure as of March 31, 2020 (3) | | (1,197,993) |
| Net foreign exchange exposure as of March 31, 2019 | | (1,885,014) |

(1) Refers to the notional foreign exchange derivative transactions.
(2) Maturity on April 2020, whose settlement was given by PTAX on the last closing day of the month.
(3) The net foreign exchange exposure, this will be substantially offset by probable future revenues of export products and/or import products.

## (e) Hedge accounting effect

The Group formally designates its transactions subject to hedge accounting aiming at hedging cash flows. *Hedges* are assigned to sugar and ethanol revenues, as applicable, the cost of import of derivatives and foreign currency debt.

As of March 31, 2020, the impacts recognized in the Group's equity and the estimated realization in profit or loss are shown below:

| | | | | | | **March 31, 2020** |
|---|---|---|---|---|---|---|
| | | | **Realization years** | | | |
| **Instruments** | **Market** | **Risk** | **2020** | **2021/22** | **>2022** | **Total** |
| Future | OTC / ICE | Sugar#11 | 569,144 | 292,919 | - | 862,063 |
| Future | B3 / NYMEX / OTC | Ethanol | 303,960 | - | - | 303,960 |
| Option | ICE | Sugar#11 | 135,346 | - | - | 135,346 |
| Term | OTC | FX | (1,106,647) | (294,100) | - | (1,400,747) |
| Swap | Debt | FX | - | - | (924,299) | (924,299) |
| Export Prepayments (PPE) | Debt | FX | - | - | (72,851) | (72,851) |
| | | | (98,197) | (1,181) | (997,150) | (1,096,528) |
| (-) Deferred taxes | | | 33,387 | 402 | 339,031 | 372,820 |
| Effect in equity | | | (64,810) | (779) | (658,119) | (723,708) |

| | | | | | | **March 31, 2019** |
|---|---|---|---|---|---|---|
| | | | **Realization years** | | | |
| **Instruments** | **Market** | **Risk** | **2019** | **2020/21** | **>2021** | **Total** |
| Future | OTC / ICE | Sugar#11 | 71,888 | 5,177 | - | 77,065 |
| Future | B3 / NYMEX / OTC | Ethanol | 47,551 | - | - | 47,551 |
| Option | ICE | Sugar#11 | (26,578) | 305 | - | (26,273) |
| NDF | OTC | FX | (152,765) | (7,383) | - | (160,148) |
| Swap | OTC | FX | - | - | (306,492) | (306,492) |
| Export Prepayments (PPE) | Debt | FX | - | - | (40,293) | (40,293) |
| | | | (59,904) | (1,901) | (346,785) | (408,590) |
| (-) Deferred taxes | | | 20,367 | 646 | 117,908 | 138,921 |
| Effect in equity | | | (39,537) | (1,255) | (228,877) | (269,669) |

We show below the movement in the balances of other comprehensive income during the year ended March 31, 2020:

### Cash flow hedge

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Beginning balance | (269,669) | 7,851 | (32,251) |
| Movements occurred in the year: | | | |
| Fair value on commodity futures designated as hedge accounting | 1,496,013 | 501,929 | 389,341 |
| Fair value loss on forward exchange contracts designated as hedge accounting | (1,615,639) | (135,403) | (4,792) |
| Exchange-rate change on debt contracts designated as hedge accounting | (650,356) | (324,944) | 79,385 |
| Income (loss) from commodities reclassified to operating income (loss) and other | 82,045 | (462,067) | (403,173) |
| Total movements occurred during the year (before deferred taxes) | (687,937) | (420,485) | 60,761 |
| Effect of deferred taxes on equity valuation adjustments | 233,898 | 142,965 | (20,659) |
| | (454,039) | (277,520) | 40,102 |
| End balance | (723,708) | (269,669) | 7,851 |

### Fair value hedge

RCSA assigns to the fair value, the inventory and purchases of highly probable oil by-products with linked derivatives at fair value. The primary goal of risk management is to recognize inventory at a floating price, as it will be the case of RCSA's sales revenue upon selling products to its customers. Hedge accounting aims to minimize any kind of mismatching in income (loss) for the period, causing both the derivatives and the inventory to be recorded at fair value, with the change being recognized under Cost of products sold and services rendered caption, whose negative impact in the year ended March 31, 2020 was R$ 234,927 (R$ 20,937 in 2019). In the statement of financial position, as of March 31, 2020, the fair value measurement balance of inventories is overstated by R$ 197,163 (understated by R$ 37,764 in 2019).

## (f) Interest rate risk

The Group monitors fluctuations in interest rates applied to certain debts, particularly those exposed to the Libor, and uses derivative instruments to manage those risks. The table below shows the positions for derivative financial instruments used to cover interest rate risk:

**Interest rate risk: Interest derivatives, outstanding as of March 31, 2020**

| Derivatives | Purchased / Sold | Market | Contract | Maturity | Notional (US$ thou.) | Notional (R$ thousand) | Fair value (R$ thousand) |
|---|---|---|---|---|---|---|---|
| Interest rate swap | Sold | OTC | Interest rate swap | Oct 2020 | 77,121 | 400,927 | (17,927) |
| Interest rate swap | Purchased | OTC | Interest rate swap | Oct/20–Nov/29 | (666,409) | (3,464,460) | 212,885 |
| Sub-total interest rate swap | | | | | (589,288) | (3,063,533) | 194,958 |
| Net exposure of interest derivatives as of March 31, 2020 | | | | | (589,288) | (3,063,533) | 194,958 |
| Net exposure of interest derivatives as of March 31, 2019 | | | | | (348,254) | (1,357,043) | 140,563 |

## (g) Credit risk

A substantial part of the Group's sales is made to a select group if highly qualified counterparties.

The Group manages credit risk by following specific client acceptance standards, analyzing client credit standing and setting exposure limits per client, requiring, when applicable, letters of credit of top tier banks and taking security interest in assets as security for payment of the credit facilities granted to clients. Management considers that the credit risk is substantially covered by the estimated loss in allowance for doubtful accounts.

Individual risk limits are determined according to internal and external classifications and the limits set by Group's Management. The use of credit limits is regularly monitored. No credit limit was exceeded during the period, and Management does not expect any loss from default by these counterparties in amounts higher than those already provided for.

The Group enters into commodity derivative agreements in futures markets and options at the New York Board of Trade - NYBOT and NYMEX, Chicago - *CBOT*, Chicago - *CME* and the London International Financial Futures and Options Exchange - LIFFE, as well as in over-the-counter markets with selected counterparties. The Group enters into foreign exchange rate and commodity derivative agreements at B3 and over-the-counter agreements, mainly with the leading local and foreign banks considered by global credit risk rating agencies to have investment level ratings.

**Guarantee margins** (restricted cash, Note 5) - Derivative transactions in commodity exchanges (NYBOT, NYMEX, LIFFE and B3) require guarantee margins. The total margin of combined and consolidated deposited as of March 31, 2020 is R$ 160,610 (R$ 217,869 in 2019), of which R$ 33,178 (R$ 64,830 in 2019) in restricted financial investments and R$ 127,432 (R$ 153,039 in 2019) in derivative transaction margins.

The Group's over-the-counter (“OTC”) derivative transactions do not require a guarantee margin.

The credit risk on cash and cash equivalents is mitigated by the conservative distribution of investment funds and CDBs, which make up the caption. The distribution follows strict criteria for allocation and exposure to counterparties that are major national and international banks, mainly considered investment grade by international *rating* agencies.

## (h) Liquidity risk

It is the risk of the Group may encounter difficulties in performing the obligations associated with its financial liabilities that are settled with payments or with another financial asset. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

As part of the liquidity management process, management prepares business plans and monitors their implementation, discussing positive and negative cash flow risks and assessing the availability of funds to support its operations, investments and refinancing needs.

The table below shows the main financial liabilities according to their aging schedules:

| | Up to 1 year | Up to 2 years | 3–5 years | >5 years | Total |
|---|---|---|---|---|---|
| Loans and financing (1) | 5,551,518 | 2,054,149 | 11,207,671 | 11,511,401 | 30,324,739 |
| Suppliers (Note 16) | 10,227,015 | - | - | - | 10,227,015 |
| Third party and related party lease liabilities (1) | 1,438,687 | 1,217,425 | 2,324,986 | 1,833,180 | 6,814,278 |
| Derivative financial instruments (Note 27.b) | 3,640,357 | 27,525 | 27,570 | 53,028 | 3,748,480 |
| Related parties (Note 1 and 2) | 1,317,327 | - | - | 477,410 | 1,794,737 |
| | 22,174,904 | 3,299,099 | 13,560,227 | 13,875,019 | 52,909,249 |

(1) Undiscounted contractual cash flows.
(2) Except related party lease liabilities.

## (i) Fair value

Fair value of financial assets and liabilities is the value by which the instrument may be exchanged in a current transaction between parties that are willing to negotiate, and not in a forced sale or settlement. The methods and assumptions used to estimate the fair value are described below.

The fair value of cash and cash equivalents, accounts receivable, other financial assets, accounts payable, related parties and other short-term obligations are approximated to their accounting amount due to the short-term maturity of these instruments. Fair value of other long-term assets and liabilities does not significantly differ from their book values.

The fair value of the liability financial instruments of the Group approximates the book value, since they are subject to variable interest rates and there was no significant change in Group's credit risk.

Derivatives are valued using valuation techniques with observable market data and refer, mainly, to swaps of interest rates, foreign exchange forward contracts, and forward commodity contracts. The valuation techniques applied often include pricing models and swaps contracts, with present value calculations. The models incorporate various data, including the credit quality of counterparties, foreign exchange spot, and forward rates, interest rate curves, and forward rate curves of the hedge object.

The categories of consolidated financial instruments are as follows:

| | | Book value | | Market value | |
|---|---|---|---|---|---|
| | **Classification** | **2020** | **2019** | **2020** | **2019** |
| **Financial assets** | | | | | |
| Cash and cash equivalents, except investments (Note 3) | Amortized cost | 5,767,050 | 2,493,436 | 5,767,050 | 2,493,436 |
| Interest earnings bank deposits (Note 3) | Fair value through profit or loss | 2,834,610 | 3,246,601 | 2,834,610 | 3,246,601 |
| Securities (Note 4) | Fair value through profit or loss | 39,145 | 268,413 | 39,145 | 268,413 |
| Restricted cash (Note 5) | Amortized cost | 127,432 | 153,039 | 127,432 | 153,039 |
| Restricted financial investments (Restricted cash) (Note 5) | Fair value through profit or loss | 83,638 | 122,676 | 83,638 | 122,676 |
| Trade accounts receivable (Note 6) | Amortized cost | 3,297,337 | 3,874,908 | 3,297,337 | 3,874,908 |
| Derivative financial instruments (2) (Note 27.b) | Fair value through profit or loss | 8,144,396 | 1,654,306 | 8,144,396 | 1,654,306 |
| Related parties (Note 11.a) | Amortized cost | 2,052,743 | 2,316,697 | 2,052,743 | 2,316,697 |
| Other financial assets (Note 10) | Amortized cost | 573,041 | 833,426 | 573,041 | 833,426 |
| | | 22,919,392 | 14,963,502 | 22,919,392 | 14,963,502 |
| **Financial liabilities** | | | | | |
| Loans and financing (Note 18) | Amortized cost | (8,297,302) | (6,708,856) | (8,297,302) | (6,632,417) |
| Loans and financing (Note 18) | Fair value through profit or loss | (17,030,068) | (10,555,445) | (17,030,068) | (10,555,445) |
| Derivative financial instruments (2) (Note 27.b) | Fair value through profit or loss | (3,748,480) | (742,399) | (3,748,480) | (742,399) |
| Suppliers (Note 16) | Amortized cost | 10,227,015) | (8,025,555) | (10,227,015) | (8,025,555) |
| Related parties (Note 11.a) | Amortized cost | (2,535,301) | (3,302,874) | (2,535,301) | (3,302,874) |
| | | (41,838,166) | (29,335,129) | (41,838,166) | (29,258,690) |

## Fair value hierarchy

The Group uses the following hierarchy to determine and disclose the fair values of financial instruments according to the valuation technique used:

- Level 1: prices quoted (without adjustments) in active markets for identical assets and liabilities;
- Level 2: other techniques for which all data that has significant effect on the recorded fair value is observable, either directly or indirectly; and
- Level 3: techniques that use data that have a significant effect on fair value that are not based on observable market data.

| **Financial instruments measured at fair value as of March 31, 2020** | **Level 1** | **Level 2** | **Total** |
|---|---|---|---|
| Interest earnings bank deposits (Note 3) | - | 2,834,610 | 2,834,610 |
| Securities (Note 4) | - | 39,145 | 39,145 |
| Restricted financial investments (Restricted cash) (Note 5) | - | 83,638 | 83,638 |
| Derivative financial assets (Note 27.b) | 3,694,847 | 4,449,549 | 8,144,396 |
| Loans and financing (Note 18) | - | (17,030,069) | (17,030,069) |
| Derivative financial liabilities | (2,097,400) | (1,651,080) | (3,748,480) |
| Total as of March 31, 2020 | 1,597,447 | (11,274,207) | (9,676,760) |
| Total as of March 31, 2019 | 78,599 | (5,967,049) | (5,888,450) |

## (j) Sensitivity analysis

We present below the sensitivity analysis of the fair value of financial instruments according to the types of risk considered relevant by the Group.

### Assumptions for the sensitivity analysis

The Group has adopted three scenarios for the sensitivity analysis, one probable and two (possible and remote) that may show the sundry effects in the fair value of the Group's financial instruments. The probable scenario was set according to the futures market curves of sugar, heating oil, ethanol and the US dollar as of March 31, 2020, and the amounts presented correspond to the fair value of derivatives on those dates. Possible and remote adverse scenarios were set considering impacts of 25% and 50% on sugar and US dollar price curves, which were calculated as a basis for the probable scenario.

### Sensitivity table

## (1) Change in fair value of derivative financial instruments

| | | | Impacts on income (loss) (*) | | | |
|---|---|---|---|---|---|---|
| | Risk factor | Probable scenario | Possible scenario +25% | Balance of fair value | Remote scenario +50% | Balance of the fair value |
| Price risk | | | | | | |
| Commodity derivatives | | | | | | |
| Futures and options contracts: | | | | | | |
| Purchase and sale commitments | Sugar price increase | 986,447 | (10,400) | 976,047 | (20,800) | 965,647 |
| Purchase and sale commitments | Gasoline price increase | 315,570 | (874,603) | (559,033) | (1,749,206) | (1,433,636) |
| Purchase and sale commitments | Ethanol price increase | 145,360 | (49,419) | 95,941 | (98,838) | 46,522 |
| Purchase and sale commitments | Increase in diesel and gasoline prices | 174,117 | (117,046) | 57,071 | (234,092) | (59,975) |
| Purchase and sale commitments | Electric power price increase | 283,837 | (88,361) | 195,475 | (176,722) | 107,114 |
| | | 1,905,331 | (1,139,829) | 765,501 | (2,279,658) | (374,328) |
| Foreign exchange rate risk | | | | | | |
| Foreign exchange rate derivatives | | | | | | |
| Futures contracts: | | | | | | |
| Purchase and sale commitments | FX decr. R$/US$ | (973) | 17,105 | 16,132 | 34,211 | 33,238 |
| Fixed-term and Lock Contracts: | | | | | | |
| Purchase and sale commitments | FX decr. R$/US$ | (737,668) | (2,184,418) | (2,922,086) | (4,368,836) | (5,106,504) |
| Purchase and sale commitments | FX decr. AR$/US$ | (5,105) | 75,557 | 70,452 | 151,114 | 146,009 |
| FX swaps: | | | | | | |
| Purchase and sale commitments | FX decr. R$/US$ | 3,039,373 | (2,917,656) | 121,717 | (5,835,312) | (2,795,939) |
| | | 2,295,627 | (5,009,412) | (2,713,785) | (10,018,823) | (7,723,196) |
| Interest rate risk | | | | | | |
| Interest derivatives | | | | | | |
| Swap contracts, lock, DI, and NDF | Write-off in interest rate | 194,958 | (36,406) | 158,553 | (72,812) | 122,147 |
| | | 194,958 | (36,406) | 158,553 | (72,812) | 122,147 |
| Total | | 4,395,916 | (6,185,647) | (1,789,731) | (12,371,293) | (7,975,377) |

(*) Result projected to occur within 12 months from March 31, 2020.

## (2) Net foreign exchange exposure

The probable scenario considers the position as of March 31, 2020. The effects of the possible and remote scenarios that would be recognized in the consolidated combined statement of profit or loss as revenue or expenses on exchange-rate change are as follows:

| | | Effect of exchange-rate changes | | | |
|---|---|---|---|---|---|
| **Net foreign exchange exposure as of March 31, 2020** | **Balance amounts** | **Possible scenario +25%** | **Remote scenario +50%** | **Possible scenario -25%** | **Remote scenario -50%** |
| Cash and cash equivalents (Note 3) | 5,529,966 | 1,382,492 | 2,764,983 | (1,382,492) | (2,764,983) |
| Restricted cash (Note 5) | 127,432 | 31,858 | 63,716 | (31,858) | (63,716) |
| Accounts receivable from abroad (Note 6) | 1,007,285 | 251,821 | 503,643 | (251,821) | (503,643) |
| Related parties (Note 11.a) | (572,178) | (143,045) | (286,089) | 143,045 | 286,089 |
| Suppliers (Note 16) | (6,139,473) | (1,534,868) | (3,069,737) | 1,534,868 | 3,069,737 |
| Loans and financing (Note 18) | (15,736,428) | (3,934,107) | (7,868,214) | 3,934,107 | 7,868,214 |
| Lease liabilities (Note 17) | (528,594) | (132,149) | (264,297) | 132,149 | 264,297 |
| Impact on income (loss) for the year | | (4,077,998) | (8,155,995) | 4,077,998 | 8,155,995 |

## (3) Interest rate sensibility

As of March 31, 2020, the probable scenario considers the annual weighted average rate of floating interests of loans and financing of 4.2% and for financial investments and as restricted cash and basically, CDI accumulated in the last 12 months of 5.41%. In both cases, simulations were run considering the increase and reduction by 25% and 50%. The combined consolidated results of this sensitivity are as follows:

| | | Interest rate sensibility | | | |
|---|---|---|---|---|---|
| | **Probable scenario** | **Possible scenario +25%** | **Remote scenario +50%** | **Possible scenario -25%** | **Remote scenario -50%** |
| Interest earnings bank deposits | 152,364 | 38,091 | 76,182 | (38,091) | (76,182) |
| Securities | 2,117 | 529 | 1,059 | (529) | (1,059) |
| Interest earning bank deposits (restricted cash) | 4,542 | 1,136 | 2,271 | (1,136) | (2,271) |
| Loans and financing | (943,966) | (235,992) | (471,983) | 235,992 | 471,983 |
| Additional impact in income (loss) for the year | (784,943) | (196,236) | (392,471) | 196,236 | 392,471 |

## (k) Capital management

The Group's goal, when managing its capital structure, is to ensure that it will continue as a going concern and be able to finance investment opportunities, by keeping a healthy credit profile and offering an appropriate return to its shareholders.

Group has relationships with large local and international rating agencies as show below:

| Branch | Scale | *Rating* | *Outlook* | Date |
|---|---|---|---|---|
| *Fitch* | National | AAA (bra) | Stable | 05/28/2020 |
| | Global | BBB | Clearance | 05/28/2020 |
| *Moody's* | National | Aaa.Br | Stable | 06/28/2019 |
| | Global | Ba1 | Stable | 06/28/2019 |
| *Standard & Poor's* | National | brAAA | Stable | 04/27/2020 |
| | Global | BBB- | Stable | 04/27/2020 |

The Raízen Group monitors its capital through a combined treasury management of its business, using a leverage ratio represented by the third-party capital divided by equity.

Third party capital, which comprises the Group's net debt, is calculated as the total of loans and financing with the market, net of cash and cash equivalents, investments and trade notes held as collateral for debt items and derivative financial instruments contracted to hedge the indebtedness.

The financial leverage ratios on March 31, 2019, and 2020 were calculated as follows:

| | 2020 | 2019 |
|---|---|---|
| Third party capital | | |
| Loans and financing (Note 18) | 25,327,370 | 17,264,301 |
| (-) Cash and cash equivalents (Note 3) | (8,601,660) | (5,740,037) |
| (-) Securities (Note 4) | (39,145) | (268,413) |
| (-) Financial investments linked to financing (note 5) | (50,460) | (57,846) |
| (-) National Treasury Certificates - CTN (Note 10) | (297,459) | (521,943) |
| (-) Foreign exchange and interest rate swaps and other derivatives | (3,369,934) | (814,344) |
| | 12,968,712 | 9,861,718 |
| Own capital | | |
| Equity | | |
| Attributable to Group's shareholders | 11,364,386 | 11,115,876 |
| Interest of non-controlling shareholders | 365,717 | 276,128 |
| | 11,730,103 | 11,392,004 |
| Total own capital and third-parties | 24,698,815 | 21,253,722 |
| Leverage ratio | 53% | 46% |

## 28. Retirement supplementation plan and other employee benefits

### (a) Pension fund

#### Defined contribution

The Group sponsors the Raiz Pension Plan, administered by Raízprev – Private Pension Plan, which is a closed non-profit complementary Pension Plan Entity.

The Entity equipped with administrative, financial and equity autonomy, having as object the administration and implementation of benefit plans of security nature, as defined in the Regulations of Benefit Plans.

The Group has legal and contract obligations that may generate the necessity of making additional extraordinary contributions in case the plan presents negative net income.

During the year ended March 31, 2020, the contribution recognized as expense amounted to R$ 21,405 (R$ 19,935 as of March 31, 2019).

#### Pension and health plan of Raízen Argentina

Raízen Argentina, subsidiary of RCSA, granted pension plans to non-union employees with defined and non-financed benefit. This plan is active, but it is closed to new participants since the end of 2014, currently covering 29 employees. The health coverage of retired employees is an inherited and frozen benefit, whose cost is equally apportioned between the company and the former employees.

### (b) Profit sharing

The Group recognizes a liability and a profit sharing expense based on a methodology that considers pre-defined targets to employees. The Group recognizes a provision when it is contractually compelled or when there is a past practice that created non-formalized obligation.

## 29. Insurance

The Group has an insurance program and risk management that provides consistent coverage and protection for corporate assets and operations.

The coverage is based on careful study of risks and losses and is realized by local insurance consultants, with the type of insurance contracted considered by Management sufficient to cover any losses that might occur, given the nature of the Group's activities, and are detailed as follows:

| Type of insurance | Coverage | Amount of coverage |
|---|---|---|
| Operational risks | Fire, lightning, explosion and others | 1,774,674 |
| General civil liability (1) | Third party complaints | 456,287 |
| | | 2,230,961 |

(1) Includes amounts of CHF 15,000 thousands and US $ 10,000 thousands, equivalent to R$ 84,300 and R$ 51,987, referring to the coverage contracted exclusively for Raízen Trading and Raízen Argentina, respectively.

## 30. Business combinations

### (i) Raízen Biomassa S.A.

On October 1, 2019, RESA and Cosan signed a Share Purchase and Sale Agreement and other covenants under suspensive conditions ("Agreement") aimed at the acquisition, by RESA, of 81.5% of the shares held by Cosan in Raízen Biomassa S.A. ("Biomassa"), for the price of R$ 1.00 (one Brazilian Real) assuming debts. The debts are guaranteed by Cosan, which were transferred to Raízen after the completion of the acquisition.

The Share Purchase and Sale Agreement for Biomassa's shares was signed on October 1, 2019 and the closing of the transaction on December 02, 2019 after full verification and implementation of the suspensive conditions. The fair value was considered based on Biomassa's balances on this date.

Biomassa produces and sells sugarcane bagasse pellets and straw. Pellet sales represented R$ 9.2 million in the year ended December 31, 2018. Thus, despite being a still incipient market, RESA is capable of generating outputs.

Through this investment, RESA aims to capture synergies that were suppressed, and insert the company in the business of producing and selling sugarcane biomass pellets and straw, consolidating Raízen's position as an integrated player in the Energy sector.

The preliminary fair value of acquired assets and assumed liabilities at the date of acquisition of Biomassa is as follows: The difference between the amount paid and the net assets at fair value resulted in the recognition of purchase.

| Captions | Amount |
|---|---|
| Cash and cash equivalents | 154 |
| Derivative financial instruments | 4,729 |
| Inventories | 18,421 |
| Recoverable taxes | 20,186 |
| Other receivables | 1,817 |
| Deferred income taxes and social contribution | 62,242 |
| Property, plant and equipment | 141,267 |
| Intangible assets | 264 |
| Right of use | 24 |
| Loans and financing | (212,426) |
| Suppliers | (1,808) |
| Related parties | (10,784) |
| Other liabilities | (1,554) |
| Lease liabilities | (34) |
| Net assets (i) | 22,498 |
| Raízen Interest (81.5%) | (18,336) |
| (-) Cost of acquisition | - |
| Bargain purchase (Note 25) | (18,336) |

(i) Minority Interest (18.5%) equivalent to R$ 4,162.

The valuation techniques used to measure the fair value of the significant assets acquired were as follows:

| Acquired assets | Valuation technique |
|---|---|
| Property, plant and equipment | Market comparison and cost technique: the evaluation model considers the market prices quoted for similar items, when available, and depreciated replacement costs, when applicable. The depreciated replacement cost reflects adjustments of physical deterioration, as well as the functional and economic obsolescence. The fair value of property plant and equipment asset items on the acquisition date amounted to approximately R$ 141,267, which represented an adjustment of around R$ 49,318. |

Other assets acquired and liabilities assumed were analyzed and the respective accounting balances reflect the respective fair values.

### (ii) RZ Agrícola Caarapó Ltda.

On October 25, 2019, RESA entered into a Share Purchase and Sale Agreement with Nova América Agrícola Ltda., which provides for the terms and conditions for the acquisition of RZ Agrícola Caarapó Ltda. shares held by Nova América Agrícola Ltda. (100% of shareholders the capital) for R$ 162,434.

The preliminary fair value of acquired assets and assumed liabilities at the date of acquisition of RZ Agrícola Caarapó is as follows: The difference between the amount paid and the net assets at fair value resulted in the recognition of gain from bargain purchase.

| Captions | Amount |
|---|---|
| Cash and cash equivalents | 167 |
| Accounts receivable | 1,311 |
| Inventories | 15,079 |
| Biological assets | 46,595 |
| Other receivables | 12,613 |
| Judicial deposits | 1,696 |
| Deferred income taxes and social contribution | 7,293 |
| Property, plant and equipment | 314,004 |
| Suppliers | (10,057) |
| Payroll and related charges payable | (3,426) |
| Taxes payable | (1,295) |
| Other liabilities | (13,463) |
| Provision for legal disputes | (6,498) |
| Net assets | 364,019 |
| (-) Cost of acquisition | 162,434 |
| Gain in bargain purchase (Note 25) | (201,585) |

The valuation techniques used to measure the fair value of the significant assets acquired were as follows:

| Acquired assets | Valuation technique |
|---|---|
| Property, plant and equipment | Market comparison and cost technique: the evaluation model considers the market prices quoted for similar items, when available, and depreciated replacement costs, when applicable. The depreciated replacement cost reflects adjustments of physical deterioration, as well as the functional and economic obsolescence. The fair value of property plant and equipment asset items on the acquisition date amounted to approximately R$ 314 million, which represented an adjustment of around R$ 29 million. |

Other assets acquired and liabilities assumed were analyzed and the respective accounting balances reflect the respective fair values.

### (iii) Raízen Argentina and subsidiaries - Acquisition of downstream ("DS") business of Shell Argentina

On October 1, 2018, RCSA completed the acquisition of Shell's downstream ("DS") business in Argentina, through the acquisition of 100% of the shares issued by Shell Compañía Argentina de Petróleo S.A. and Energina Compañía Argentina de Petróleo S.A., these shares previously held by the Shell Group and starting to operate in that country as Raízen Argentina whose amount of the operation was US$ 988,081 thousand, totaling R$ 3,917,438.

Pursuant to IFRS 3 - Business Combination, the preliminary fair value of acquired assets and assumed liabilities at the date of acquisition of Raízen Argentina and subsidiaries, is as follows: The difference between the amount paid and the net assets at fair value resulted in the recognition of a goodwill for expectation of future returns in the amount of R$ 221,898.

During the year ended March 31, 2020, RCSA concluded the allocation of the price of the assets acquired and liabilities assumed by the RCSA in the process of acquiring Raízen Argentina. The main differences between the preliminary and final goodwill were determined based on new information on the facts and circumstances existing on the date of acquisition and are presented in the movement below:

| Movement | Amount |
|---|---|
| Net assets | 3,605,064 |
| Cost of acquisition | 3,917,438 |
| Adjustment to present value of considerations payable | (109,420) |
| | 3,808,018 |
| Preliminary goodwill | 202,954 |
| Property, plant and equipment | 186 |
| Intangible assets | (30) |
| Deferred taxes | (53) |
| | 103 |
| Adjustment to present value of considerations payable | 18,841 |
| Adjustments in goodwill | 18,944 |
| Final goodwill | 221,898 |

Goodwill on the expectation of future profitability may, depending on the RCSA's future valuations, be deductible for tax purposes.

The valuation techniques used to measure the fair value of significant assets acquired were as follows:

| Acquired assets | Valuation technique |
|---|---|
| Property, plant and equipment (**) | Market comparison and cost technique: the evaluation model considers the market prices quoted for similar items, when available, and depreciated replacement costs, when applicable. The depreciated replacement cost reflects adjustments of physical deterioration, as well as the functional and economic obsolescence. In the final allocation, fair value of property plant and equipment assets' items on acquisition date totaled R$ 3,616,125 (R$ 3,616,311 on March 31, 2019), which represented surplus of R$ 366,461 (R$ 366,647 on March 31, 2019) to be depreciated based on assets' useful lives of approximately 13 years. |
| Intangible assets (*) / (**) | Contractual relationships with clients: Technique *Multi-period earning excess method* ("MEEM"), this model estimates fair value based on business unit future cash flow discounts. Cash flows considered revenues from projected clients' portfolio and their corresponding costs and expenses in the 180-month period. In the final allocation, the fair value of contract relations totaled R$ 232,558 (R$ 232,532 on March 31, 2019), fully recognized as surplus to be amortized on a straight-line basis over said period. |

| | |
|---|---|
| | Latam-pass contract: Technique *Multi-period earning excess method* ("MEEM"), this model estimates fair value based on business unit future cash flow discounts. Cash flows considered revenues associated to said contract and its corresponding costs and expenses during contract prevailing period of 87 months. In the final allocation, the fair value of this contract totaled R$ 36,010 (R$ 36,007 on March 31, 2019), fully recognized as surplus to be amortized on a straight-line basis over said period. |

(*) Intangible assets identified by appraisers in applying the acquisition method.
(**) In the final allocation, on this surplus, deferred tax liabilities were formed in the amount of R$ 216,226 (R$ 216,279 as of March 31, 2019).

### (iv) Acquisition of Santa Cândida and Paraíso Plants – sugar and ethanol producing units of Tonon Group

On September 28, 2018, RESA concluded the allocation of the price of the assets acquired and liabilities assumed by the Company in the process of acquiring the Santa Candida and Paraíso plants, whose operation was approved by Administrative Council for Economic Defense (CADE) on August 7, 2017 and the term has elapsed to the appeal or call-back as of October 24, 2017.

In September 2018, RESA concluded the allocation of the price of the assets acquired and liabilities assumed by the RESA in the process of acquiring these plants.

The main differences between the preliminary goodwill and the final goodwill are shown below:

| **Movement** | **Amount** |
|---|---|
| Net assets | 425,811 |
| Total cost of acquisition | 835,948 |
| Preliminary goodwill | 410,137 |
| Biological assets | (2,288) |
| Property, plant and equipment | 9,507 |
| Other liabilities | 6,421 |
| Financial lease | 7,495 |
| Adjustments in goodwill | 21,135 |
| Final goodwill | 431,272 |

### (v) RWXE Participações S.A.

During the year ended March 31, 2019, RESA finalized the process of allocating the RWXE purchase price, which occurred as of July 5, 2018, when RESA acquired a 70% equity interest in the capital of RWXE, in the amount of R$ 94,626.

The preliminary fair value of acquired assets and assumed liabilities at the date of acquisition of RWXE is as follows: The difference between the amount paid and the net assets at fair value resulted in the recognition of a goodwill for expectation of future returns.

| Captions | Amount |
|---|---|
| Cash and cash equivalents | 63,912 |
| Trade accounts receivable | 187,442 |
| Related parties | 50,000 |
| Advances to suppliers | 30 |
| Recoverable taxes | 73 |
| Property, plant and equipment | 158 |
| Intangible assets | 23,140 |
| Suppliers | (200,672) |
| Derivative financial instruments | (2) |
| Taxes payable | (893) |
| Payroll and related charges payable | (51) |
| Net assets | 123,137 |
| Raízen Interest (70%) (*) | 86,196 |
| Cost of acquisition | 94,626 |
| Final goodwill | 8,430 |

(*) The remaining 30% refer to the non-controlling shareholders' interest, measured at fair value on the date of acquisition by the proportional interest in the acquiree's identifiable net assets on that date.

Net operating revenue and net revenue as of acquisition date, up to March 31, 2019, of RWXE was R$ 2,133,285 and R$ 10,420, respectively.

The valuation techniques used to measure the fair value of the significant assets acquired were as follows:

| Acquired assets | Valuation technique |
|---|---|
| Intangible assets | Contractual relationships with clients: Technique *Multi-period earning excess method* ("MEEM"), this model estimates fair value based on business unit future cash flow discounts. Cash flows considered projected revenues from clients' portfolio and their corresponding costs and expenses in a period of 10 years. Fair value of contract relations totaled R$ 23,137, fully recognized as surplus. |

The total amount of goodwill on the expectation of future profitability may, depending on the RESA's future valuations, be deductible for tax purposes.

Receivables on the date of purchase are measured and recognized at fair value and represent the gross amount of R$ 187,442 with an expected loss of zero. Other assets acquired and liabilities assumed were analyzed and the respective accounting balances reflect the respective fair values.

**(vi) Ryballa Participações Ltda.**

On August 13, 2018, after RESA's announcement with São Martinho S.A. ("São Martinho"), business provide for the acquisition of the biological assets of Usina Furlan, relating to the Santa Bárbara D'Oeste plant (state of SP), as well as the leasing of land owned by Usina Furlan and Agro Pecuária Furlan S.A. ("Transaction") and the operation was effectively approved by the CADE (Administrative Council for Economic Defense).

On October 8, 2018, by means of the signature of the Term for the completion of the Transaction, RESA and São Martinho took on the agricultural and supply agreements which total approximately 1 million tons of sugar and as a counterparty, the obligation to independently make the payment of the respective proportion of 2/3 and 1/3 the approximate amount of R$ 117,000.

The conclusion of this Transaction was aligned with the strategy of increasing the availability of cane for processing at the mills of Raízen whose amount paid up to March 31, 2019 was R$ 71,343.

The fair value of acquired assets and assumed liabilities at the date of acquisition of Ryballa is as follows: The difference between the amount paid and the net assets at fair value resulted in the recognition of a goodwill for expectation of future returns.

| Captions | Amount |
|---|---|
| Cash and cash equivalents | 1 |
| Advances to suppliers | 917 |
| Biological assets | 7,734 |
| Property, plant and equipment | 20,948 |
| Suppliers | (917) |
| Related parties | (2,067) |
| Net assets | 26,616 |
| Cost of acquisition | 32,016 |
| Final goodwill | 5,400 |

The valuation techniques used to measure the fair value of the significant assets acquired were as follows:

| Acquired assets | Valuation technique |
|---|---|
| Biological assets | Sugarcane plantation: The fair value was based on the discounted cash flow method, excluding the land on which it is planted.<br>Sugarcane: The fair value was based on future cash flows in accordance with the productivity cycle projected for each harvest, taking into consideration the useful life of assets, the prices of total recoverable sugar, estimated productivities, costs to be incurred with production, harvesting, loading and transportation per planted hectare. |

The total amount of goodwill on the expectation of future profitability may, depending on the RESA's future valuations, be deductible for tax purposes.

## 31. Cash flow supplementary information

### (a) Reconciliation of equity movement with cash flows from financing activities (FCF)

| (Assets) / Liabilities | Financial investments linked to financing (note 5) | Loans and financing (Note 18) | Lease liabilities | Related parties (1) | Dividends and interest on own capital payable | Total |
|---|---|---|---|---|---|---|
| Balance at March 31, 2019 | (57,846) | 16,742,358 | - | 300,559 | 37,553 | 17,022,624 |
| Transactions with impact in FCF | | | | | | |
| Funding, net of expenditures | - | 7,352,092 | - | - | - | 7,352,092 |
| Amortization of principal | - | (3,529,607) | - | - | - | (3,529,607) |
| Interest amortization | - | (844,765) | - | - | - | (844,765) |
| Amortization of lease liabilities | - | - | (1,114,229) | (145,737) | | (1,259,966) |
| Payment of dividends and interest on own capital and preferential shares | - | - | - | (129,412) | (2,508,353) | (2,637,765) |
| Financial investments linked to financing | 10,182 | - | - | - | - | 10,182 |
| Other | - | - | - | 2,317 | - | 2,317 |
| | 10,182 | 2,977,720 | (1,114,229) | (272,832) | (2,508,353) | (907,512) |
| Other movements that do not affect the FCF | | | | | | |
| Net interest, inflation adjustments, and exchange-rate changes | (2,796) | 4,462,210 | 334,365 | 63,719 | - | 4,857,498 |
| Change financial instruments fair value (Notes 18 and 26) | - | 229,969 | - | - | - | 229,969 |
| Issuance (redemption) and allocation of disproportionate dividends | - | - | | (1,416) | - | (1,416) |
| Allocation of dividends and interest on own capital | - | - | - | - | 2,587,276 | 2,587,276 |
| Initial adoption of IFRS 16 (Note 2.4.1) | - | - | 3,630,867 | 720,759 | - | 4,351,626 |
| Business combinations | - | 212,426 | 36 | - | - | 212,462 |
| Addition, write-off, remeasurement of lease liabilities and Other | - | - | 1,422,323 | 101,823 | - | 1,524,146 |
| Effect of foreign currency translation and other | - | 405,228 | 138,422 | 4,236 | (20,934) | 526,952 |
| | (2,796) | 5,309,833 | 5,526,013 | 889,121 | 2,566,342 | 14,288,513 |
| Balance at March 31, 2020 | (50,460) | 25,029,911 | 4,411,784 | 916,848 | 95,542 | 30,403,625 |

(2) Comprised of financial transactions and preferred shares and lease liabilities (Note 11.a).

## (b) Transactions not involving cash

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Investment transactions not involving cash | | | |
| Installment payable due to purchase of Raízen Argentina | - | (1,959,945) | - |
| Right of use | (1,767,862) | - | - |
| Depreciation and amortization of agricultural assets capitalized as property, plant and equipment | (91,962) | (81,957) | (64,789) |
| Installments receivable for the sale of shares and the formation of a joint venture | 123,439 | - | - |
| Interest capitalized in property plant and equipment assets (Note 14 and 26) | (38,021) | (30,825) | (36,150) |
| Depreciation of agricultural assets capitalized as biological assets | (20,870) | (23,288) | (23,296) |
| Additions to property, plant and equipment and other, net | (3,980) | (122,302) | (36,222) |
| | (1,799,256) | (2,218,317) | (160,457) |

## 32. Subsequent events

Based on the financial and operating information available up to the issuance of these financial statements, we present below a summary of the main impacts on our statement of income:

- Raízen Combustíveis: sales of gasoline and ethanol decreased by up to 50% and diesel sales by around 25% during the first weeks of April 2020. In the second half of April and throughout May we have already seen a resumption of sales during the month of May 2020. In the aviation segment, demand was adversely affected by the reduction in flights from our main customers and sales fell by 80%.

- Raízen Energia: Volume of ethanol sales decreased due to social isolation. Conversely, there is no impact on world sugar consumption. In general, Raízen Energia has the capacity to carry the inventory to sell at the time more appropriated. Raízen Energia did not suffer any significant impacts until the issuance of these financial statements.

* * *

Raízen Group

**Combined consolidated financial statements March 31, 2019 and auditors report**

KPMG Auditores Independentes
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# Independent auditors' report on the combined consolidated financial statements

The Shareholders and Board of Directors
Raízen Energia S.A. and Raízen Combustíveis S.A.:

**Report on the Combined Consolidated Financial Statements**

We have audited the accompanying combined consolidated statements of Raízen Energia S.A. and Raízen Combustíveis S.A. ("Raízen Group"), which comprise the combined consolidated statements of financial position as of March 31, 2019 and 2018, and the related combined consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2019, and the related notes to the combined consolidated financial statements (collectively referred, the combined consolidated financial statements).

*Management's Responsibility for the Combined Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these combined consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these combined consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant

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accounting estimates made by management, as well as evaluating the overall presentation of the combined consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the combined consolidated financial statements referred to above present fairly, in all material respects, the financial position of Raízen Group as of March 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2019 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

*Emphasis of matter*

We draw your attention to Note 2.1(a) to the combined consolidated financial statements, which describes the basis of preparation and presentation of these combined consolidated financial statements. These combined consolidated financial statements do not necessarily represent the financial position, financial performance, or related cash flows that would have been obtained if the Raízen Group had operated as a single legal entity during the period. The combined consolidated financial statements were prepared to present the financial position, performance, and cash flows of the entities under indirect joint control of Cosan Limited and Royal Dutch Shell and, therefore, may not be useful for other purposes. Our opinion is not modified with respect to this matter.

KPMG Auditores Independentes

São Paulo, SP
May 17, 2019

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## Raízen Group
**Combined consolidated statement of financial position as of March 31**
**In thousands of reais – R$**

| | Note | 2019 | 2018 |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 3 | 5,740,037 | 3,663,168 |
| Securities | 4 | 268,413 | 1,078,945 |
| Restricted cash | 5 | 275,715 | 143,606 |
| Derivative financial instruments | 26 | 797,405 | 228,092 |
| Trade accounts receivable | 6 | 3,360,364 | 2,756,767 |
| Inventories | 7 | 4,051,837 | 2,552,513 |
| Biological assets | 9 | 813,995 | 947,815 |
| Recoverable income and social contribution taxes | 18.b | 1,018,941 | 887,416 |
| Recoverable taxes and contributions | 8 | 1,831,187 | 628,397 |
| Other financial assets | 10 | 306,457 | 408,379 |
| Related parties | 11 | 962,937 | 709,027 |
| Contract assets | 12 | 429,718 | - |
| Other receivables | | 465,288 | 346,868 |
| Total current assets | | 20,322,294 | 14,350,993 |
| Non-current assets | | | |
| Trade accounts receivable | 6 | 514,544 | 447,856 |
| Derivative financial instruments | 26 | 856,901 | 273,762 |
| Other financial assets | 10 | 526,969 | 502,433 |
| Recoverable income and social contribution taxes | 18.b | 441,798 | 300,930 |
| Recoverable taxes and contributions | 8 | 462,077 | 337,495 |
| Related parties | 11 | 1,353,760 | 1,329,549 |
| Deferred income and social contribution taxes | 18.d | 507,655 | 158,295 |
| Judicial deposits | 19 | 449,117 | 406,898 |
| Contract assets | 12 | 2,000,061 | - |
| Other receivables | | 249,934 | 181,554 |
| Investments | 13 | 573,186 | 346,461 |
| Property, plant and equipment | 14 | 15,334,465 | 11,304,718 |
| Intangible assets | 15 | 2,968,229 | 4,689,901 |
| Total non-current assets | | 26,238,696 | 20,279,852 |
| Total assets | | 46,560,990 | 34,630,845 |

See the accompanying notes to the combined consolidated financial statements.

**Combined consolidated statement of financial position as of March 31**
**In thousands of reais – R$** **(continued)**

| | Note | 2019 | 2018 |
|---|---|---|---|
| Liabilities | | | |
| Current liabilities | | | |
| Loans and financing | 17 | 1,922,661 | 1,532,009 |
| Derivative financial instruments | 26 | 698,742 | 142,343 |
| Suppliers | 16 | 8,025,555 | 3,743,572 |
| Payroll and related charges payable | | 543,763 | 553,491 |
| Income and social contribution taxes payable | 18.c | 99,582 | 97,197 |
| Taxes payable | | 487,878 | 276,066 |
| Dividends and interest on shareholders` equity payable | 21.b | 37,553 | 23,417 |
| Related parties | 11 | 2,881,826 | 781,397 |
| Advances from clients | 6 | 96,421 | 51,677 |
| Other liabilities | | 812,931 | 617,994 |
| Total current liabilities | | 15,606,912 | 7,819,163 |
| Non-current liabilities | | | |
| Loans and financing | 17 | 15,341,640 | 11,986,340 |
| Derivative financial instruments | 26 | 43,657 | 199,602 |
| Taxes payable | | 188,798 | 183,434 |
| Related parties | 11 | 421,048 | 406,052 |
| Provision for legal disputes | 19 | 1,477,922 | 1,260,168 |
| Deferred income and social contribution taxes | 18.d | 1,570,928 | 452,166 |
| Other liabilities | | 518,081 | 490,796 |
| Total non-current liabilities | | 19,562,074 | 14,978,558 |
| Total liabilities | | 35,168,986 | 22,797,721 |
| Equity | 21 | | |
| Attributed to controlling shareholders | | 11,115,876 | 11,607,394 |
| Interest of non-controlling shareholders | | 276,128 | 225,730 |
| Total equity | | 11,392,004 | 11,833,124 |
| Total liabilities and equity | | 46,560,990 | 34,630,845 |

See the accompanying notes to the combined consolidated financial statements.

## Raízen Group

**Combined consolidated statements of income**
**Years ended March 31**
**In thousands of reais – R$**

| | Note | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Net operating revenue | 22 | 103,973,038 | 86,261,206 | 79,209,442 |
| Costs of products sold and services provided | 23 | (98,008,548) | (80,050,279) | (72,547,575) |
| Gross profit | | 5,964,490 | 6,210,927 | 6,661,867 |
| Operating revenue (expenses) | | | | |
| Selling | 23 | (2,526,598) | (2,139,156) | (1,875,271) |
| General and administrative | 23 | (1,152,093) | (1,095,238) | (994,318) |
| Other operating income, net | 24 | 1,251,968 | 622,064 | 646,227 |
| Equity accounting result | 13 | 30,987 | (21,423) | (72,556) |
| | | (2,395,736) | (2,633,753) | (2,295,918) |
| Profit before financial results and income tax and social contribution | | 3,568,754 | 3,577,174 | 4,365,949 |
| Financial results | 25 | | | |
| Financial expenses | | (1,470,934) | (904,397) | (1,011,680) |
| Financial income | | 610,293 | 619,106 | 736,856 |
| Exchange variation, net | | (781,306) | (324,948) | 443,314 |
| Net effect of the derivatives | | 850,327 | 187,081 | (327,150) |
| | | (791,620) | (423,158) | (158,660) |
| Profit before income and social contribution taxes | | 2,777,134 | 3,154,016 | 4,207,289 |
| Income tax and social contribution | 18.a | | | |
| Current | | (548,245) | (962,957) | (972,098) |
| Deferred | 18.d | 6,226 | 119,925 | (173,087) |
| | | (542,019) | (843,032) | (1,145,185) |
| Net income for the year | | 2,235,115 | 2,310,984 | 3,062,104 |
| Attributable to: | | | | |
| Group's controlling shareholders | | 2,176,437 | 2,249,836 | 3,002,347 |
| Group's non-controlling shareholders | | 58,678 | 61,148 | 59,757 |
| | | 2,235,115 | 2,310,984 | 3,062,104 |

See the accompanying notes to the combined consolidated financial statements.

## Raízen Group

**Combined consolidated statements of comprehensive income**
**Years ended March 31**
**(In thousands of reais – R$)**

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Net income for the year | 2,235,115 | 2,310,984 | 3,062,104 |
| Comprehensive income | | | |
| Items that will not be reclassified to statement of income | | | |
| Actuarial loss, net | (1,524) | (528) | (3,132) |
| Deferred taxes on actuarial loss (Note 18.d.1) | 511 | 177 | 1,049 |
| | (1,013) | (351) | (2,083) |
| Items that are or may be reclassified to statements of income | | | |
| Income (loss) from financial instruments designated as hedge accounting (Note 26.e) | (420,485) | 60,761 | 748,045 |
| Net investment hedge in foreign entity | (54,235) | - | - |
| Deferred taxes on hedges (Note 18.d.1) | 161,405 | (20,659) | (254,334) |
| Effect of foreign currency translation | (102,591) | (3,765) | 2,605 |
| | (415,906) | 36,337 | 496,316 |
| Other components of the comprehensive income for the year | (416,919) | 35,986 | 494,233 |
| Total comprehensive income for the year | 1,818,196 | 2,346,970 | 3,556,337 |
| Attributable to: | | | |
| Group's controlling shareholders | 1,759,518 | 2,285,822 | 3,496,580 |
| Group's non-controlling shareholders | 58,678 | 61,148 | 59,757 |
| | 1,818,196 | 2,346,970 | 3,556,337 |

See the accompanying notes to the combined consolidated financial statements.

**Combined consolidated statements of changes in equity**
**Years ended March 31**
**In thousands of reais – R$**

| | Attributable to Group's shareholders | Interest of non-controlling shareholders | Total equity (*) |
|---|---|---|---|
| Balances at March 31, 2018 | 11,607,394 | 225,730 | 11,833,124 |
| Initial adoption of IFRS 9 (Note 2.4) | (2,641) | (41) | (2,682) |
| Balances at April 1, 2018 | 11,604,753 | 225,689 | 11,830,442 |
| Comprehensive income for the year | | | |
| Net income for the year | 2,176,437 | 58,678 | 2,235,115 |
| Actuarial loss, net (Note 21.d) | (1,013) | - | (1,013) |
| Net loss on net investment hedge (Note 21.d) | (35,795) | | (35,795) |
| Net loss with financial instruments designated as hedge accounting (Note 21.d) | (277,520) | - | (277,520) |
| Effects of foreign currency translation (Note 21.d) | (102,591) | - | (102,591) |
| Total comprehensive income for the year | 1,759,518 | 58,678 | 1,818,196 |
| Contribution (distributions) to Group's shareholders | | | |
| Capital increase | - | 4,159 | 4,159 |
| Business combination (Note 29.1.ii) | - | 30,000 | 30,000 |
| Dividends distributed to holders of preferred shares (Note 21.c) | (2,995) | - | (2,995) |
| Dividends and interest on shareholders` equity ("JCP") (Note 21.c) | (2,245,400) | (42,398) | (2,287,798) |
| Total contributions (distributions) to Group's shareholders | (2,248,395) | (8,239) | (2,256,634) |
| Balances at March 31, 2019 | 11,115,876 | 276,128 | 11,392,004 |

(*) As disclosed in Note 1.c, the combined consolidated companies are not operated as a single legal entity.

See the accompanying notes to the combined consolidated financial statements.

## Raízen Group

**Combined consolidated statements of changes in equity**
**Years ended March 31**
**In thousands of reais – R$** **(Continued)**

| | Attributable to Group's shareholders | Interest of non-controlling shareholders | Total equity (*) |
|---|---|---|---|
| Balances at April 1, 2017 | 12,160,702 | 205,725 | 12,366,427 |
| Comprehensive income for the year | | | |
| Net income for the year | 2,249,836 | 61,148 | 2,310,984 |
| Actuarial loss, net | (351) | - | (351) |
| Net gain on financial instruments designated as hedge accounting | 40,102 | - | 40,102 |
| Effect of foreign currency translation | (3,765) | - | (3,765) |
| Total comprehensive income for the year | 2,285,822 | 61,148 | 2,346,970 |
| Contribution (distributions) to Group's shareholders | | | |
| Effect from subsidiary's preferred shares | 2,851 | (2,851) | - |
| Issue/redemption of shares and dividends distributed to holders of preferred shares | (4,166) | - | (4,166) |
| Dividends and interest on shareholders` equity | (2,836,836) | (34,575) | (2,871,411) |
| Capital decrease in subsidiary | (1,088) | (3,453) | (4,541) |
| Other | 109 | (264) | (155) |
| Total contributions (distributions) to Group's shareholders | (2,839,130) | (41,143) | (2,880,273) |
| Balances at March 31, 2018 | 11,607,394 | 225,730 | 11,833,124 |

(*) As disclosed in Note 1.c, the combined consolidated companies are not operated as a single legal entity.

See the accompanying notes to the combined consolidated financial statements.

**Combined consolidated statements of changes in equity**
**Years ended March 31**
**In thousands of reais – R$** **(Continued)**

| | Attributable to Group's shareholders | Interest of non-controlling shareholders | Total equity (*) |
|---|---|---|---|
| Balances at April 1, 2016 | 10,982,504 | 169,573 | 11,152,077 |
| Comprehensive income for the year | | | |
| Net income for the year | 3,002,347 | 59,757 | 3,062,104 |
| Actuarial loss, net | (2,088) | 5 | (2,083) |
| Net gain on financial instruments designated as hedge accounting | 493,711 | - | 493,711 |
| Effect of foreign currency translation | 2,605 | - | 2,605 |
| Total comprehensive income for the year | 3,496,575 | 59,762 | 3,556,337 |
| Distributions to Group's shareholders | | | |
| Issue/redemption of shares and dividends distributed to holders of preferred shares | (2,892) | - | (2,892) |
| Dividends and interest on shareholders` equity | (2,315,485) | (23,610) | (2,339,095) |
| Total distributions to Group's shareholders | (2,318,377) | (23,610) | (2,341,987) |
| Balances at March 31, 2017 | 12,160,702 | 205,725 | 12,366,427 |

(*) As disclosed in Note 1.d, the combined consolidated companies are not operated as a single legal entity.

See the accompanying notes to the combined consolidated financial statements.

# Raízen Group

## Consolidated combined statements of cash flows - indirect method
## Years ended March 31
**In thousands of reais – R$**

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Income before income and social contribution taxes | 2,777,134 | 3,154,016 | 4,207,289 |
| Adjustments: | | | |
| Depreciation and amortization (Notes 22 and 23) | 2,452,718 | 2,742,288 | 2,355,486 |
| Amortization of contract assets (Notes 12) | 452,503 | - | - |
| Change in the fair value and realization of gain or loss of biological assets (Note 23) | 261,159 | 367,432 | (304,621) |
| Equity accounting result of associated companies (Note 13) | (30,987) | 21,423 | 72,556 |
| Gain on disposal of shares (Note 24) | - | (53,747) | (166,103) |
| Capital gain on dilution of ownership interest in associated company (Notes 13.b.ii and 24) | (109,467) | - | (14,697) |
| Gain on sales of property, plant and equipment (Note 24) | (113,400) | (95,198) | (82,246) |
| Net reversal (formation) of estimated loss in investments and fixed and fixed assets (Notes 13, 14 and 24) | (146,628) | (3,823) | 163,088 |
| Interest, monetary and exchange-variations, net | 1,277,753 | 883,501 | (100,451) |
| Change in fair value of liabilities financial instruments (Notes 25) | 213,303 | (19,776) | 90,150 |
| Gain with derivative financial instruments, net | (1,298,464) | (565,098) | 1,206,330 |
| Recognition of extemporaneous tax credits, net (Note 24) | (225,313) | (218,699) | (403,113) |
| Change in inventories' fair value - Hedge of fair value (Notes 7 and 26.e) | (20,937) | (16,827) | - |
| Recognition (reversal) of estimated loss on taxes and fees (Notes 8, 23 and 24) | (85,939) | 8,701 | 73,873 |
| Revenue from investment grant – ICMS (Notes 23 and 24) | (92,341) | (76,885) | (67,758) |
| Other | (114,487) | 50,423 | 206,125 |
| Changes in assets and liabilities | | | |
| Trade accounts receivable and advances from clients | 292,919 | (836,799) | (15,454) |
| Inventories | 418 | (281,413) | (609,890) |
| Restricted cash | (127,125) | 204,853 | 571,241 |
| Payment of assets from contracts with clients | (698,239) | - | - |
| Derivative financial instruments | 96,277 | 194,055 | (179,471) |
| Related parties | (25,813) | (16,257) | (236,269) |
| Suppliers and advances to suppliers | 2,626,266 | 1,659,936 | 259,974 |
| Recoverable and payable taxes, net | (538,682) | (522,826) | (470,239) |
| Payroll and related charges payable | (42,789) | 74,032 | (7,184) |
| Other assets and liabilities, net | (140,102) | (14,982) | (18,869) |
| Payment of income and social contribution taxes on net income | (253,034) | (249,351) | (245,693) |
| Net cash generated in operating activities | 6,386,703 | 6,388,979 | 6,284,054 |
| Cash flow from investment activities | | | |
| Additions to investment (Note 13.b) | (26,793) | (121,347) | (144,709) |
| Acquisitions of business, net of acquired cash (Note 29) | (1,614,517) | (792,494) | |
| Redemptions from (investments in) securities, net | 810,532 | (325,141) | (648,899) |
| Additions to property, plant and equipment and intangible assets (Notes 14, 15 and 30.b) | (2,333,728) | (2,476,713) | (2,270,661) |
| Additions to biological assets (Notes 9 and 30.b) | (671,212) | (555,785) | (530,209) |
| Cash received upon disposal of fixed assets | 217,976 | 221,165 | 160,399 |
| Cash received in the sale of investment | 3,662 | 96,338 | 413,556 |
| Dividends received from associated companies | - | - | 20,014 |
| Net cash used in investment activities | (3,614,080) | (3,953,977) | (3,000,509) |
| Cash flow from financing activities | | | |
| Funding of loans and financing | 6,316,489 | 2,988,749 | 2,539,445 |
| Amortizations of principal of loans and financing | (4,181,945) | (1,236,508) | (3,447,367) |
| Payment of interest on loans and financing | (752,186) | (667,607) | (695,856) |
| Redemptions of financial investments linked to financing, net | 13,149 | 571 | 10,413 |
| Payment of dividends and interest on shareholders` equity (Note 21.c) | (2,274,446) | (3,092,893) | (2,713,391) |
| Related parties and others | (2,015) | 1,208 | (4,303) |
| Net cash used in financing activities (note 30.a) | (880,954) | (2,006,480) | (4,311,059) |
| Increase in cash and cash equivalents | 1,891,669 | 428,522 | (1,027,514) |
| Cash and cash equivalents at the beginning of the year (Note 3) | 3,663,168 | 3,201,598 | 4,267,726 |
| Effect of exchange variation on cash and cash equivalents | 185,200 | 33,048 | (38,614) |
| Cash and cash equivalents at the end of the year (Note 3) | 5,740,037 | 3,663,168 | 3,201,598 |

Supplementary information to the cash flow is shown in Note 30.

See the accompanying notes to the combined consolidated financial statements.

## 1. Operations

Raízen Group ("Group") is engaged in the following activities and comprises the following companies:

### (a) Raízen Energia S.A. and subsidiaries ("Raízen Energia" or "RESA"):

RESA is a publicly-held company enrolled in the Brazilian Securities and Exchange Commission ("CVM") in Category B, headquartered at Brigadeiro Faria Lima Avenue, number 4.100, 11° floor, Part V, Itaim Bibi, in the city of São Paulo - SP, Brazil. RESA was established on June 1, 2011 and is indirectly and jointly controlled by Royal Dutch Shell ("Shell") and Cosan Limited ("Cosan").

RESA engages in producing and marketing sugar and ethanol, and the trading, both domestically and abroad through its subsidiaries Raízen Trading LLP ("Raízen Trading") and Raízen International Universal Corporation, and co-generating energy produced from bagasse at its 26 plants located in Brazil's Center-South region in Brazil and for power trading business.

Sugarcane farming requires a period ranging from 12 to 18 months for maturing and harvesting and generally starts between the months of April and May every year, and usually ends between November and December, period in which sugar and ethanol are also produced. Production is sold during the whole year and does not fluctuate over the seasons, but is affected by normal market supply and demand. Because of RESA's production cycle, its fiscal year and the fiscal year of Raízen Combustíveis S.A. and therefore of Raízen Group starts on April 1 and ends on March 31.

### (b) Raízen Combustíveis S.A. and its subsidiaries ("Raízen Combustíveis" or "RCSA"):

RCSA is a privately-held corporation headquartered at Victor Civita Sreet, 77, Block 1, Edifice 6, 4º floor, in the city of Rio de Janeiro, Brazil. RCSA was established on June 1, 2011 and is indirectly and jointly controlled by Shell and Cosan.

RCSA is mainly engaged in: (i) distributing and marketing oil and ethanol by-products, and other fluid hydrocarbons and their by-products under Shell brand; (ii) trade of natural gas; (iii) operate as franchiser and licenser of Select convenience stores; (iv) importing and exporting the products previously mentioned; (v) oil refining and production and sale of automotive and industrial lubricants and liquefied petroleum gas (LPG) through its Argentine subsidiaries; and (v) holding interest in other companies.

- **Acquisition of 100% of shares from fuel and lubricants refining and distribution business in Argentina held by Shell Overseas Investments B.V. ("SOI") and B.V. Dordtsche Petroleum Maatschappij ("DPM")**

On October 1, 2018, RCSA and its subsidiary Raízen Argentina Holdings S.A.U, completed on such date, an agreement for the acquisition of Shell's downstream ("DS") business in Argentina, through the acquisition of 100% of the shares issued by Shell Compañía Argentina de Petróleo S.A. (currently Raízen Argentina S.A.) and by Energina Compañía Argentina de Petróleo S.A. (currently Raízen Energina S.A.), jointly Raízen Argentina and subsidiaries, these shares were previously held by SOI and DPM. Details of this business combination are detailed in Note 29.

- **Operations**

The Civil Police of Paraná State launched, on July 31, 2018, the Operation "Controlled Margin" to collect testimonials and obtain documents from the employees of fuel distributors that operate in Paraná, including RCSA, for suspicious practices to control the final price of the fuel sold in gas stations located in such region.

In parallel, on the same date, in connection with the so-called Operation Dubai, a complaint was presented by the Prosecution Office of the Federal District. The Prosecution Office of the Federal District filed a complaint against, among other parties, RCSA and one employee on the grounds of alleged anticompetitive practice.

To date, there is no final decision or relevant impact on RCSA's business, derived from these operations. Accordingly, at present there are no facts showing that in the future there will be any penalties that could produce relevant impact on combined consolidated financial statements of the Raízen Group. However, any evolutions and depending on the outcome of the cases, it is possible that in the future the operations might produce impact on RCSA's financial statements.

**(c) Other information**

The synergy between RESA and RCSA makes Raízen Group to be currently positioned in a special place in the Brazilian market. The both companies work in a complementary manner, and therefore, reporting their combined consolidated businesses is a key tool to allow the market to evaluate the Raízen Group as a whole.

Although they are not set up as a group pursuant to article 265 of Brazilian Corporation Law ("LSA"), companies of RAÍZEN Group disclose combined consolidated financial statements to provide information that best reflects their gross cash flows from operating activities.

The Raízen Group's combined consolidated financial statements are being presented exclusively to provide information about all the Raízen Group's activities in a single financial statement, regardless of the Group's corporate structure.

As a result, these combined consolidated financial statements do not represent the individual or consolidated financial statements of an entity and its subsidiaries and should not be used as a basis for the calculation of dividends or taxes, or for any other corporate or statutory purposes and does not necessarily provide indicators of the current or future income or loss that would have been earned had these combined companies been operating as one single legal entity.

## 2. Presentation of financial statements and significant accounting policies

### 2.1. Preparation basis

The combined consolidated financial statements have been prepared in accordance with the International Accounting Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), and evidence all relevant information of the financial statements, and only them, are consistent with those used by Management in its Administration.

Management authorized on May 17, 2019 the issue of Raízen Group's combined consolidated financial statements.

## (a) Combination criteria

Such combined consolidated financial statements include the following companies:

(i) Raízen Energia S.A. and its subsidiaries
(ii) Raízen Combustíveis S.A. and its subsidiaries

In the combination, the balances receivable and payable, revenues, expenses and unrealized profits arising from transactions between these companies, when applicable, were eliminated.

The breakdown of assets and equity for the years ended March 31, 2019 and 2018, as well as results and other comprehensive income of the companies for the years ended March 31, 2019, 2018 and 2017, comprising the combined consolidated financial statements and the related combined consolidated balances, after the elimination of intragroup transactions, are as follows:

| | Total assets | | Total equity | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Raízen Energia S.A. and its subsidiaries | 28,631,585 | 24,530,296 | 8,338,026 | 8,824,167 |
| Raízen Combustíveis S.A. and its subsidiaries | 23,558,857 | 13,341,520 | 3,064,352 | 3,021,769 |
| | 52,190,442 | 37,871,816 | 11,402,378 | 11,845,936 |
| Elimination of commercial transactions, unrealized profits and financial transactions | (5,629,452) | (3,240,971) | (10,374) | (12,812) |
| Combined consolidated balances | 46,560,990 | 34,630,845 | 11,392,004 | 11,833,124 |

| | Net income | | | Comprehensive income | | |
|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2019** | **2018** | **2017** |
| Raízen Energia S.A. and its subsidiaries | 473,022 | 642,807 | 1,404,667 | 247,607 | 682,895 | 1,855,189 |
| Raízen Combustíveis S.A. and its subsidiaries | 1,708,021 | 1,668,220 | 1,658,573 | 1,568,150 | 1,666,193 | 1,703,781 |
| | 2,181,043 | 2,311,027 | 3,063,240 | 1,815,757 | 2,349,088 | 3,558,970 |
| Elimination of commercial transactions, unrealized profits and financial transactions | 54,072 | (43) | (1,136) | 2,439 | (2,118) | (2,633) |
| Combined consolidated income | 2,235,115 | 2,310,984 | 3,062,104 | 1,818,196 | 2,346,970 | 3,556,337 |

The combined consolidated financial statements are a single set of financial statements of two or more entities that are jointly controlled. RESA and RCSA used the definition of control in conformity with the IFRS 10 - Consolidated Financial Statements, with respect to both the existence of joint control and also to the consolidation procedures.

## (b) Basis of measurement

The combined consolidated financial statements were prepared using historical cost as the value base, except, when applicable, for the valuation of certain assets and liabilities such as inventories and derivative and non-derivative financial instruments and biological assets, which are measured at fair value.

## (c) Functional and presentation currency

These combined consolidated financial statements are being presented in Reais, functional currency of the Group. All balances have been rounded to the nearest value, except otherwise indicated. The financial statements of each subsidiary included in the consolidation and combination, as well as those utilized as a basis to account for investments under the equity method, are prepared based on the functional currency of each company.

## (d) Significant judgments, estimates and assumptions

The preparation of combined consolidated financial statements requires Management to make judgments and estimates and adopt assumptions that affect the amounts presented for revenues, expenses, assets and liabilities in the base date of the financial statements.

These estimates and assumptions are reviewed in a continuous manner. Reviews in relation to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Should there be a significant change in the facts and circumstances on which the estimates and assumptions made are based, there may be a material impact on the Group's results and financial position.

The significant accounting estimates and assumptions are set out below:

### Income tax, social contribution and other taxes payable

The Group is subject to income tax and social contribution, when applicable, in all countries in which it operates. Significant judgment is required to determine the provision for income taxes in these various countries.

In many operations, the final determination of the tax is uncertain. When applicable, the Group also recognizes provisions to cover certain situations in which it is probable that additional tax amounts will be owed. When final result of such issues differs from initially estimated and recorded amounts, these differences affect current and deferred tax liabilities and income (loss) and comprehensive income in the period in which definitive value is determined.

### Deferred income and social contribution tax

Deferred income tax and social contribution assets are recognized for all tax loss carryforwards not utilized to the extent that it is probable that there will be future taxable income to allow their use in the future. In addition, the Group recognized deferred taxes based on temporary differences determined based on tax basis and book value of certain assets and liabilities, using prevailing rates. Substantial judgment from Management is required to determine the amount of the deferred income tax and social contribution assets that can be recognized, based on the reasonable term and amount of future taxable income, along with future tax rationalization.

Deferred income tax assets and liabilities are presented at net value in statement of financial position only when there is the legal right and the intention of offsetting them upon calculation of current taxes, related to the same legal entity and the same tax authority. For further details on deferred taxes, see Note 18.d.

**Biological assets**

Biological assets are measured at fair value on the reporting date, and the effects of changes in fair value between the periods are recognized directly in the cost of products sold. For further information on the assumptions used, see Note 9.

**Property, plant and equipment and intangible assets, including goodwill**

The accounting treatment given to property, plant and equipment and intangible assets includes estimates to determine the useful life period for depreciation and amortization purposes, in addition to the fair value at acquisition date of the assets acquired through business combinations.

The Group performs, on an annual basis, an evaluation of impairment indicators of recoverable values of goodwill and intangible assets with undefined useful life. Fixed and intangible assets with defined life are subject to depreciation and amortization are impairment tested whenever events or changes in circumstances indicate that the book value may not be recoverable.

The determination of the recoverable amount of the cash-generating unit to which the goodwill was allocated also includes the use of estimates and assumptions and requires a significant degree of Management's judgment.

**Provision for legal disputes**

The Group recognizes the provision for tax, civil, labor and environmental legal disputes. Determination of the likelihood of loss includes determination of evidences available, hierarchy of laws, jurisprudence available, more recent court decisions and relevance thereof in legal system, as well as evaluation of internal and external attorneys. Such provisions are reviewed and adjusted to take into account changes in circumstances, such as statute of limitations applicable, tax inspection conclusions or additional exposures identified based on new matters or court decisions.

**Fair value of financial instruments**

When the fair value of the financial assets and liabilities presented in the statement of financial position cannot be obtained from active markets, it is determined by using valuation techniques, including the discounted cash flow method. The data for these methods is based on those adopted by the market, when possible. However, when such data are not available, a certain level of judgment is required to establish the fair value. Judgment includes considerations on the data utilized, such as liquidity risk, credit risk and volatility. Changes in the assumptions related to these factors can affect the fair value presented for the financial instruments. For further details on financial instruments, see Note 26.

## 2.2 Basis of consolidation

The combined consolidated financial statements include information on RESA and its subsidiaries, and of RCSA and its subsidiaries and exclusive investment funds. The direct and indirect subsidiaries of RCSA and RESA and investment finds are listed below:

| Subsidiaries of RESA | Direct and indirect ownership interests | |
|---|---|---|
| | 2019 | 2018 |
| Agrícola Ponte Alta Ltda. | 100% | 100% |
| Benálcool Açúcar e Álcool Ltda. | 100% | 100% |
| Bioenergia Araraquara Ltda. | 100% | 100% |
| Bioenergia Barra Ltda. (“Bio Barra”) | 100% | 100% |
| Bioenergia Caarapó Ltda. | 100% | 100% |
| Bioenergia Costa Pinto Ltda. | 100% | 100% |
| Bioenergia Gasa Ltda. | 100% | 100% |
| Bioenergia Jataí Ltda. | 100% | 100% |
| Bioenergia Maracaí Ltda. | 100% | 100% |
| Bioenergia Rafard Ltda. | 100% | 100% |
| Bioenergia Serra Ltda | 100% | 100% |
| Bioenergia Tarumã Ltda. | 100% | 100% |
| Bioenergia Univalem Ltda. | 100% | 100% |
| Raízen Araraquara Açúcar e Álcool Ltda. (“Raízen Araraquara”) | 100% | 100% |
| Raízen Ásia PT Ltd. | 100% | 100% |
| Raízen Biogás SPE Ltda. | 100% | 100% |
| Raízen Biotecnologia S.A. | 100% | 100% |
| Raízen Caarapó Açúcar e Álcool Ltda. | 100% | 100% |
| Raízen Centroeste Açúcar e Álcool Ltda. | 100% | 100% |
| Raízen GD Ltda. (ii) | 100% | - |
| Raízen Energy Finance Ltd. | 100% | 100% |
| Raízen Fuels Finance S.A. | 100% | 100% |
| Raízen-Geo Biogás S.A. | 85% | 85% |
| Raízen International Universal Corp. | 100% | 100% |
| Raízen North América, Inc. | 100% | 100% |
| Raízen Paraguaçú Ltda. | 100% | 100% |
| Raízen Trading LLP. | 100% | 100% |
| Ryballa Participações Ltda. | 100% | - |
| RWXE Participações S.A. (“RWXE”) (i) | 70% | - |
| São Joaquim Arrendamentos Agrícolas Ltda. | 100% | 100% |
| Unimodal Ltda. | 73% | 73% |
| WX Energy Comercializadora de Energia Ltda. (“WX Energy”) (i) | 70% | - |

(i) On July 5, 2018, RESA, through its subsidiary Bio Barra, signed a shareholders agreement with the company WX Energy Participações Ltda. As a result of this transaction, now holds 70% of RWXE. As a result of this operation, RESA indirectly holds a 70% stake in the company WX Energy, which in turn is wholly owned by RWXE.

(ii) The Company, through its subsidiaries Bio Barra and Raízen Araraquara, signed a shareholders' agreement on November 13, 2018 to hold a 100% stake in Raízen GD Ltda.

| Subsidiaries of RCSA | Direct and indirect ownership interests | |
|---|---|---|
| | 2019 | 2018 |
| Blueway Trading Importação e Exportação Ltda. | 100% | 100% |
| Petróleo Sabbá S.A. ("Sabbá") | 80% | 80% |
| Raízen Argentina Holdings S.A.U. ("RAHSAU") (1) | 100% | 100% |
| Raízen Argentina S.A. (1) | 100% | - |
| Raízen Energina S.A. (1) | 100% | - |
| Raízen Gás S.A. (1) | 100% | - |
| Deheza S.A. (1) | 100% | - |
| Estación Lima S.A. (1) | 100% | - |
| Raízen Conveniências Ltda. | 100% | 100% |
| Raízen S.A. | 100% | 100% |
| Raízen Mime Combustíveis S.A. ("Mime") | 76% | 76% |
| Raízen Mime Conveniências Ltda. ("Mime Conveniências") | 91% | 91% |
| Raízen Sabbá Conveniências Ltda. ("Sabbá Conveniências") | 96% | 96% |
| Sabor Raíz Alimentação S.A. | 69% | 69% |
| Saturno Investimentos Imobiliários Ltda. | 100% | 100% |

(1) Jointly called Raízen Argentina and subsidiaries (Note 29).

| Exclusive Investment Funds ("FI") | Total interest | |
|---|---|---|
| | 2019 | 2018 |
| Fixed income IF for private credit RJ – Banco Santander S.A. | 100% | 100% |
| Fixed income IF for private credit RAÍZEN I – Banco BNP PARIBAS BRASIL S.A. | 100% | 100% |

The subsidiaries are fully consolidated from the date of control acquisition, and continue to be consolidated up to the date when control no longer exists. The financial statements of the subsidiaries are prepared for the same reporting period as the Group, and utilizing accounting policies consistent and, when required, with the policies adopted by the Group.

Balances maintained between combined consolidated companies, revenues and expenses, unrealized income (loss), arising from transactions between companies are eliminated as a whole.

## 2.3. Description of significant accounting policies

The accounting policies described below have been consistently applied to all the years presented in these combined consolidated financial statements, except for the adoption as of April 1, 2018 of certain standards, amendments to standards and interpretations to IFRS issued by IASB (Note 2.4).

### a) Revenue recognition

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue and IAS 11 Construction Contracts.

Except for the reclassification on the statement of financial position of the contracts for exclusive supply rights to the fuel stations from "Intangible assets" to "Contract assets", which impacts of this reclassification are described on Note 2.4, the Group did not identify relevant effects on revenue recognition. The Group has adopted IFRS 15 using the cumulative effect (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application. the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements of IFRS 15 have not generally been applied to comparative information.

Revenues from sales of products or goods, including sales in the foreign market made by RESA's subsidiaries, Raízen Trading LLP and Raízen International Universal Corporation, and by RCSA's subsidiary, Raízen Argentina and its subsidiaries, are recognized when the entity delivers the products and goods to its clients. The deliver is concluded when the client accepts the products and consequently transfers to the buyer the control of the products and goods. Selling prices are established based on purchase orders or contracts. Goods or services whose income is deferred are recorded within "Other obligations" and accounted for as income upon transfer of control to the client or provision of the service itself.

The revenue from the sale of the electric power co-generated is recorded based on the energy available in the network and the tariffs specified in the supply agreements, or the current market price, according to each case. Due to the billing flow, the electric power produced and sold through auctions is initially recognized as prepaid revenue, during the billing to clients and, is only recognized in the statement of income for the year when it is available to be used by clients.

Revenue from leases and storage comprises leases of gas stations and storage of fuel and similar products in the RCSA terminals and its subsidiaries, and is recognized as the services are rendered, under "Other operating revenues, net" (Note 24).

Revenue is presented net of taxes (Excise Tax) ("IPI"), Value-added Tax on Sales and Services ("ICMS"), Social Integration Program - PIS ("PIS"), Social Contribution on Revenues ("COFINS"), Economic Domain Intervention Contribution ("CIDE"), National Institute of Social Security ("INSS"), Fuel Transfer Tax ("ITC"), Added Value Tax ("IVA") and Gross Income Tax ("IIB") and other, returns, rebates and discounts, amortization referring to exclusive supply rights, as well as of eliminations of sales between Group companies.

**b) Foreign currency transactions**

Foreign currency transactions are translated into the functional currency (the real) using the exchange rates prevailing at the dates of the transactions, or the dates of valuation when items are remeasured.

Monetary assets and liabilities denominated in a foreign currency are converted into reais using the foreign exchange rates prevailing at the statement of financial position date, and foreign exchange gains and losses arising from the settlement of these transactions and the translation at year-end exchange rates are recognized in the statement of income within "Financial income (losses)", unless they qualify as hedge accounting, in which case they are recognized in Statement of Comprehensive Income.

Non-monetary items that are measured at the historical cost in a foreign currency are translated using the translation rate of the transaction start date. Non-monetary assets that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

**c) Financial instruments – Initial recognition and subsequent measurement**

IFRS 9 retains a large part of the existing requirements of IAS 39 for the classification and measurement of financial liabilities. However, the above standard eliminates the old categories of IAS 39 for financial assets: (i) held-to-maturity, (ii) loans and receivables and (iii) available for sale.

IFRS 9 sets out, among others, new requirements for: classification and measurement of financial assets, measurement and recognition of impairment losses on financial assets, hedge accounting and disclosure.

In accordance with the transitional provisions of IFRS 9, the Group did not restate its prior period financial statements and, when applicable, the differences in the book values of financial assets and financial liabilities resulting from the adoption of IFRS 9 on April 1, 2018, were recognized in retained earnings in equity.

All financial assets and liabilities are initially recognized when the Group becomes a party to the instrument's contractual provisions.

**(i) Financial assets**

**Measurement**

In the initial recognition, a financial asset is classified as measured: (i) at amortized cost; (ii) at fair value through other comprehensive income; or (iii) at fair value through profit or loss.

Financial assets are not reclassified after initial recognition, unless the Group changes the business model for the management of financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period subsequent to the change in the business model.

A financial asset is measured at amortized cost if it meets both conditions below and is not designated as measured at fair value through profit or loss: (i) it is maintained within a business model whose objective is to maintain financial assets to receive contractual cash flows; (ii) and its contractual terms generate, at specific dates, cash flows that are related only to payment of principal and interest on the outstanding principal amount.

A financial asset is measured at fair value through other comprehensive income if it meets both conditions below and is not designated as measured at fair value through profit or loss: (i) it is maintained within a business model whose objective is achieved both by the receipt of contractual cash flows and by the sale of financial assets; and (ii) its contractual terms generate, on specific dates, cash flows that are only payments of principal and interest on the outstanding principal amount.

All financial assets not classified as measured at amortized cost or at fair value through other comprehensive income, as described above, are classified at fair value through profit or loss.

**Assessment of business model**

The Group carries out an assessment of the purpose of the business in which a financial asset is held in the portfolio, since this better reflects the way in which the business is managed and the information is provided to management.

The information considered is comprised by: (i) the policies and goals established for the portfolio and practical operation of these policies. They include the question of whether management's strategy focuses on obtaining contractual interest revenues, maintaining a certain interest rate profile, matching the duration of financial assets with the duration of related liabilities or expected cash outflows, or the realization of cash flows through the sale of assets; (ii) how the performance of the portfolio is evaluated and reported to the Group's management; (iii) risks that affect the performance of the business model (and the financial assets held in that business model) and the manner in which those risks are managed; how business managers are remunerated – for example, if the remuneration is based on the fair value of managed assets or in contractual cash flows obtained; and (v) the sales rate,

volume and timing of sales of financial assets in prior periods, the reasons for such sales and future sales expectations.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, which is consistent with the ongoing recognition of the Company's assets.

Financial assets held for trading or managed with a performance evaluated based on fair value are measured at fair value through profit or loss.

**Assessment whether the contractual cash flows represent solely payments of principal and interest**

For the purpose of assessing contractual cash flows, the principal is defined as the fair value of the financial asset at the initial recognition. “Interest” is defined as a consideration for the amount of cash at the time and for the credit risk associated to the outstanding principal value during a certain period and for other risks and base costs of loans (for example, liquidity risk and administrative costs), as well as for the profit margin.

The Group considers the contractual terms of the instruments to evaluate whether the contractual cash flows are only payments of principal and interest. It includes evaluating whether the financial asset contains a contractual term that could change the time or amount of the contractual cash flows so that it would not meet this condition. In making this evaluation, the Company considers the following: (i) contingent events that change the amount or timing of cash flows; (ii) terms that may adjust the contractual rate, including variable rates; (iii) the prepayment and the extension of the term; and (iv) the terms that limit the Group's access to cash flows of specific assets (for example, based on the performance of an asset).

**Impairment of financial assets**

The main impact of the adoption is associated with the replacement of the “incurred loss” model of IAS 39 - Financial Instruments: *Recognition and Measurement* with an “expected credit loss” model. Such impairment model applies to financial assets measured at amortized cost, contractual assets and debt instruments measured at fair value through other comprehensive income, but is not applicable to investments in equity instruments.

The expected loss matrix adopted by the Group, considers the grouping of clients with similar default characteristics, by sales channel and rating (client risk rating, measured internally).

On April 1, 2018, the impact of the adoption of the expected credit loss was R$ 3,857 (Notes 2.4 and 6).

**Classification and measurement of financial assets**

IFRS 9 retains a large part of the existing requirements of IAS 39 for the classification and measurement of financial liabilities. However, the above standard eliminates the old categories of IAS 39 for financial assets: (i) held-to-maturity, (ii) loans and receivables and (iii) available for sale.

The adoption of IFRS 9 had no impact on accounting policies of the Group in connection with financial liabilities and derivative financial instruments. The impact of IFRS 9 on classifications of

financial assets did not generate any measurement impacts, as shown below based on the balances by class of financial assets on April 1, 2018, whose balance is similar to that disclosed in the annual financial statements as of March 31, 2018:

| Consolidated Financial assets | Original classification in accordance with IAS 39 | New classification in accordance with IFRS 9 | 03/31/2018 |
|---|---|---|---|
| Cash and cash equivalents, except for investments | Loans and receivables | Amortized cost | 1,451,703 |
| Interest earnings bank deposits | Fair value through profit or loss | Fair value through profit or loss | 2,211,465 |
| Securities | Fair value through profit or loss | Fair value through profit or loss | 1,078,945 |
| Restricted cash, except for restricted financial investments | Loans and receivables | Amortized cost | 36,976 |
| Restricted financial investments (Restricted cash) | Fair value through profit or loss | Fair value through profit or loss | 106,630 |
| Trade accounts receivable | Loans and receivables | Amortized cost | 3,204,623 |
| Derivative financial instruments | Fair value through profit or loss | Fair value through profit or loss | 501,854 |
| Related parties | Loans and receivables | Amortized cost | 2,038,576 |
| Other financial assets | Loans and receivables | Amortized cost | 910,812 |
| **Total** | | | **11,541,584** |

### (ii) Financial liabilities

They are measured at amortized cost and fair value through profit or loss. On March 31, 2018, in the case of the Group, they included loans and financing, balances payable to suppliers and related parties and derivative financial instruments.

### (iii) Offset of financial instruments - net presentation

Assets and liabilities are presented net in the statement of financial position if, and only if, there is a current legal and enforceable right to offset the recognized amounts and if the intention of offsetting, or realizing the asset and settling the liability simultaneously.

### (iv) Derecognition (write-off)

A financial asset is written off when: (i) The rights to receive cash flows from the asset expire, and, (ii) the Group transfers its rights to receive cash flows from the asset or assumes an obligation to pay the cash flows received in full to a third party under a 'pass-through' arrangement; and (a) the Group transfers substantially all risks and rewards of the assets, or (b) the Group neither transfers nor retains substantially all the risks and rewards related to the asset, but transfers the control over the asset.

### (v) Derivative financial instruments and hedge accounting

The new hedge accounting requirements were applied prospectively. The cash flow hedge relationships of highly probable future exports or imports for the purposes of IAS 39 were considered continuous hedge relationships for the purposes of IFRS 9, since they also qualify for hedge accounting in accordance with the new pronouncement.

### Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as non-deliverable forwards, commodity forward contracts and swaps to provide protection against the risk of change in the foreign exchange rates, prices of commodities, respectively. The derivative financial instruments designated in hedging operations are initially recognized at fair value on the date on which the derivative is obtained, and are subsequently restated also at fair value. Derivatives are presented as financial assets when the fair value of the instrument is positive; and as financial liabilities when the fair value is negative.

Any gains or losses resulting from changes in the fair value of derivatives during the year are recognized directly in the statement of income, with the exception of the effective portion of the hedge designated as cash flow hedge, which is recognized directly in equity in other comprehensive income.

Even with the adoption of IFRS 9, the Group opted to maintain the hedge accounting practice pursuant to IAS 39, under the transition method prescribed by IFRS 9.

Thus, for hedge accounting purposes, there are the following classifications: (i) fair value hedge, in providing protection against exposure to changes in the fair value of recognized asset or liability or of unrecognized firm commitment, or of identified part of such asset, liability or firm commitment, which is attributable to a particular risk and may affect the result; (ii) cash flow hedge, in providing protection against the change in the cash flows that is attributable to a particular risk associated with a recognized asset or liability or with a foreseen transaction that is highly likely and that might affect the result; or (iii) hedge of a net investment in a foreign operating unit.

In the initial recognition of a hedge relationship, the Group formerly classifies and documents the hedge relationship to which they wish to apply hedge accounting, as well the objective and the risk management strategy of company management to put the hedge into effect.

The documentation includes: (i) the identification of the hedge instrument, (ii) the hedged item or transaction, (iii) the nature of the risk to be hedged, (iv) the prospective demonstration of the efficacy of the hedge relationship and (v) the way in which the Group intends to assess the efficacy of the hedge instrument for purposes of offsetting the exposure to changes in the fair value of the hedged item or cash flows related to the hedged risk. As regards cash flow hedge, the nature of the high probability of the foreseen transaction to be hedged, as well as the foreseen periods of transfer of the gains or losses resulting from the hedge instruments from equity to income, are also included in the documentation of the hedge relationship.

These hedges are expected to be highly effective to offset changes in the fair value or cash flows. They will be permanently evaluated to verify whether they were indeed highly effective over the course of all the base periods for which they were intended.

In practice, main hedges that meet accounting hedge criteria are as follows:

### Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is initially recorded directly in equity or comprehensive income (loss), while any ineffective portion is recognized directly in financial income (loss).

Amounts recognized in other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial revenue or interest expense is recognized, or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts recognized in equity are transferred to the initial book value of the non-financial asset or liability. If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognized in equity are transferred to the statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in comprehensive income (loss) remains deferred in equity within "Reserve for comprehensive income (loss)" until the forecast transaction or firm commitment affects statement of income.

**Net investment hedge in foreign entities**

Hedge of net investment in foreign transactions is calculated by similarity to cash flow hedge. Any gain or loss of hedge instrument related to the effective hedge portion is recognized in the equity, under the caption Assets / Liabilities valuation adjustments. The gain or loss relating to the ineffective portion is immediately recognized in the income (loss). Accumulated gains and losses in the equity are included in the result for the year, when the investment abroad is realized or sold.

The types of derivative financial instruments designated as hedge accounting are presented in Note 26.

**Fair value hedge and fair value option of certain financial liabilities**

The Group designates certain debts, mainly, related to exports prepayments (“PPE”) as liabilities measured at fair value through profit or loss, in order to eliminate, or significantly reduce, inconsistencies in measurement that would otherwise result in the recognition of gains or losses on the loans and derivatives on different bases. As a result, fluctuations of loans fair value are recognized in caption Financial income, in line “Fair value of liability financial instruments”, classified in “Financial expenses” group.

On September 25, 2018, RESA entered into a swap transaction with due date on January 22, 2027, which is used to hedge the exchange variation of the Senior Notes 2027 issued on January 20, 2017. The hedge instrument, which includes the standard terms of a plain vanilla swap, contains a specific clause that extinguish determined rights of RESA, in case of a default event of the Senior Notes 2027 issued by RESA.

**Fair value hedge - Inventories**

The Group assigns to the fair value, the imported inventory derivatives with linked derivatives (forward sold) at fair value and details are described in Note 26.e.

**d) Inventories**

Inventories are valued at the average cost of acquisition or production, not exceeding the ethanol inventory of Raízen Trading and the imported inventory of by-products designated at fair value (Note 2.3.c), not exceeding the net realizable value. Costs of finished products and products in process include raw material, direct labor costs and other direct costs as well as respective direct production expenses (based on regular operating capacity) less loan costs. The net realizable value is the sales price estimated for the normal course of the businesses, less estimated completion execution costs and selling expenses.

The estimated losses for slow-moving or obsolete warehouse inventories are constituted when these inventories have not moved for a period of 2 years in RESA and three months in RCSA and are not considered strategic by the Management.

## e) Investments in associated companies and joint ventures

Investments in entities over which the Group has significant influence or shared control are accounted for under the equity method. They are initially calculated in statement of financial position at cost, plus changes after the acquisition of the ownership interest.

The statement of income reflects the share in the results from operations of associated companies and joint ventures based on the equity accounting method. When a change is directly recognized in the shareholders' equity of the associated company or joint venture, the Group will recognize its share in the changes in the statement of changes in the equity.
After applying the equity accounting method, the Group determines whether it is necessary to recognize additional impairment on the investment. The Group determines, at each statement of financial position closing date, if there is objective evidence that investment in the associated company and joint venture suffered impairment loss. If so, the Group calculates the amount of impairment loss as the difference between the recoverable amount of the associated company and joint venture and the book value and recognizes the amount in the statement of income.
When there is loss of significant influence on the associated company or shared control of the joint venture, the Group recognizes investment at fair value.

Unrealized gains from transactions between the Group and its associated companies and joint ventures are eliminated to the extent of the Group's interest. The accounting policies of the associated companies and joint ventures are changed when required in order to assure the consistency with the policies adopted by the Group.

## f) Biological assets

Biological assets refer to sugarcane crops.

Sugarcane crops are measured at fair value, excluding the land on which they are located, under the discounted cash flow method.

For sugarcane, the Group uses future cash flows in accordance with the productivity cycle projected for each harvest, taking into consideration the estimated useful life of each crop, the prices of total recoverable sugar, estimated productivities, estimated costs to be incurred with production, harvesting, loading and transportation per planted hectare.

Changes in fair values between periods are allocated to in Statement of Income under "Cost of products sold" caption.

Any land belonging to the Group where biological assets are produced is accounted in property, plant and equipment caption.

## g) Property, plant and equipment

Property, plant and equipment items (sugarcane planting included) are stated at historical acquisition or construction cost less accumulated depreciation and impairment losses, when applicable.

The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets built by the Company includes materials and direct labor, as well as any other costs attributable to bringing the assets to the location and condition requires for them to operate in the manner intended by Management, and loan costs on qualifiable assets. Borrowing costs relating to funds raised for works in progress are capitalized until the projects are concluded.

RESA and its subsidiaries perform the main maintenance activities scheduled for their manufacturing units on an annual basis. This usually occurs between the months from January to March, with the objective of inspecting and replacing components.

The main annual maintenance costs in RESA and its subsidiaries include costs of labor, materials, outsourced services and overhead allocated during the off-season period. These costs are classified as frequent replacement parts and components, in property, plant and equipment, and are fully amortized in the following crop season.

The cost of an equipment item that must be replaced on an annual basis at RESA and its subsidiaries is accounted for as a component of the equipment costs and depreciated over the following crop. The costs of normal periodic maintenance are accounted for in expenses when incurred as the replaced components do not improve the production capacity of the asset or introduce refinements in the equipment.

In RCSA and its subsidiaries, estimated costs to be incurred with removal of fuel storage tanks are estimated and recorded as part of the cost of property, plant and equipment, with a corresponding entry to the provision that supports such costs in current and non-current liabilities, depending on the estimated obligation term.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of any renewal to increase useful life should be activated and included in the asset's book value, if it is probable that future economic benefits following the renewal will exceed the performance standard initially assessed for the existing asset and that such benefits will accrue to the Group. The main refurbishments are depreciated over remaining useful lives of related assets.

Gains and losses from divestitures are determined by the comparison of results with the book value and are recognized in the statement of income under "Other operating revenues, net".

Lands are not depreciated. On March 31, 2019 and 2018 depreciation of such assets was calculated based on estimated useful life wear and tear for each asset. The annual weighted average depreciation rates are as follows:

| Class of fixed assets | 2019 | 2018 |
|---|---|---|
| Buildings and improvements | 3% | 2% |
| Machinery, equipment and facilities | 5% | 5% |
| Aircrafts and vehicles | 8% | 8% |
| Furniture and fixtures and IT equipment | 13% | 14% |
| Sugarcane planting | 20% | 20% |
| Other | 5% | 5% |

Residual values and the useful lives of material assets are reviewed and adjusted, if required, at the end of each year.

## h) Leases

Whether a contract is, or contains, a lease is determined based on the substance of the contract at the inception date.

Under finance lease contracts where all risks and rewards are transferred to the Group, incidental to ownership of the leased asset, they are capitalized at the inception of the lease at the fair value of the leased property, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of income. A leased asset is depreciated during its useful life or the term of the lease, the shorter of the two, save when there is evidence that the leased assets will be acquired on the agreement's expiry.

Operating lease agreements are recognized as operating expenses in the statement of income on a straight-line basis over the term of the lease.

## i) Intangible assets

### (i) Goodwill

Goodwill is represented by the positive difference between the paid for the acquisition of a business and the net fair value of assets and liabilities of the acquired company. Goodwill in the acquisition of subsidiaries is disclosed in Intangible Assets caption in combined consolidated financial statements.

The goodwill is maintained at cost value, less possible impairment losses, when applicable, and the accounting test is carried out at least every year. For impairment testing purposes, goodwill acquired in a business combination is, from the acquisition date, allocated to each cash-generating units of the Group that are expected to benefit from the business combination, regardless of other assets or liabilities of the acquiree being allocated to those units.

### (ii) Intangible assets with defined useful life

Intangible assets with defined useful lives are carried at cost, less accumulated amortization and accumulated impairment losses, when applicable.

On March 31, 2019 and 2018 the annual weighted average amortization rates are as follows:

| Class of intangible assets | Average rates |
|---|---|
| Software use license (a) | 20% |
| Brands (b) | 10% |
| Agricultural Partnership Agreements (c) | 9% |
| Sugarcane supply agreements (c) | 10% |
| Public concession rights of use (d) | 20% |
| Technology (e) | 10% |
| Other (f) | 29% |

**(a) Software license**

Licenses acquired for computer programs are capitalized and amortized over their estimated useful lives by the Group. Expenditures related to maintaining software are recognized as expenses as incurred. The expenditures directly associated with the software, controlled by the Group and which will probable generate economic benefits in excess of the costs for more than one year, are recognized as intangible assets.

**(b) Brands**

It corresponds to the right of use of the brand Shell, contributed in the formation of Raízen by the shareholder Shell, recognized at historical cost. The brand is amortized on a straight-line basis over the validity of the right.

**(c) Agricultural partnership and sugarcane supply agreements**

These intangible asset classes were acquired in a business combination were recognized at fair value on the acquisition date. They have a defined useful life and are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected useful life of the supplier and client relationship.

**(d) Public concession rights of use**

The concession rights correspond to the right to operate the concessions related to the activity of cogeneration of electric energy of RESA, being amortized on a straight-line basis over the concession term.

**(e) Technology**

Refers to technology developed by Iogen Corp. to produce second-generation ethanol ("E2G"). These technologies are represented by contractual rights including, among others, RESA's exclusive marketing of those rights in the locations where it operates.

**(f) Other**

Refers basically to intangible assets recognized by Raízen Trading, controlled by RESA, consisting of client portfolio and licenses acquired in business combination for the operation in Europe and United States.

**j) Impairment of non-financial assets:**

The Group assesses every year whether there are indicators of an asset's loss of value. In the event such indicators are identified, the Group estimates the asset's recoverable amount. The recoverable value of an asset is the greater among: (a) fair value less costs that would be incurred to sell it, and (b) its value in use. When required, value in use is usually determined based on the discounted cash flow (before taxes) from the continued use of the asset until the end of its useful life.

Regardless of the existence of impairment indicators, goodwill and intangible assets with an indefinite useful life, if any, are tested for impairment at least once a year.

When the book value of an asset exceeds its recoverable value, the loss is recognized as an operating expense in the statement of income.

**k) Provisions**

Provisions are recognized when: (i) the Group has a present legal or non-formalized obligation as a result of past events; (ii) it is likely that an outflow of funds will be required to settle the obligation; and (iii) the amount can be reliably estimated.

**l) Employee benefits**

The Group has a defined contribution and partial defined benefit plan, in which maintains a private pension plan for all of its employees.

The Group recognizes a liability based on a methodology that considers a number of factors determined by actuarial estimates, which employ assumptions for defining pension plan costs or revenue.

Gains and losses arising from adjustments and changes in actuarial assumptions are stated directly in equity as other comprehensive income, when they occur.

Past costs of services are immediately recognized in the income figures.

The Group recognizes an estimated obligation when it is contractually compelled or when there is a past practice that created a constructive obligation.

**m) Income tax and social contribution**

Revenues (expenses) tax and social contribution expenses of the year include current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent they are related to items directly recognized in equity or comprehensive income, when applicable. In that case, the tax is also recorded in equity or comprehensive income.

The current and deferred income tax and social contribution charge is calculated based on enacted, or substantially enacted, tax acts, at the statement of financial position date of countries in which the Group's entities operate and generate taxable income. Management periodically evaluates the positions taken by the Group in the calculations of income tax with respect to situations in which applicable tax regulation is subject to interpretations; and establishes provisions when appropriate, on the basis of amounts expected to be paid to the tax authorities.

Income tax is computed on taxable income at the rate of 15%, plus a 10% surtax for income exceeding R$ 240 in the 12-month period, whereas social contribution is computed at the rate of 9% on taxable income, recognized on the accrual basis. That is, on a compound basis, the Group is subject to a theoretical tax rate equivalent to 34%,

Deferred income tax and social contribution in connection with tax losses, social contribution negative base and temporary differences are shown as net in the statement of financial position when there is a legal right and an intention to offset these on calculation current taxes related with the same legal entity and the same tax authority. Accordingly, deferred tax assets and liabilities in different entities or countries are in general presented separately, and not at net value. Deferred taxes are calculated based on the tax rates in force when they are realized or reviewed annually.

Tax assets are only recognized to the extent that it is probable that future taxable income will be available against which these temporary differences can be offset.

Prepayments or current amounts that can be offset are presented in current and non-current assets, in accordance with their expected realization.

**n) Capital and remuneration to shareholders**

The capital is comprised of common and preferred shares. Incremental expenses attributed directly to share issues, if any, are shown as a deduction from equity, as an additional capital contribution, net of tax effects.

In the parent companies RESA and RCSA, the only existing class A preferred share as well as each common share, is entitled to one vote on resolutions by each company's shareholders' meetings, as well as R$ 0.01 (one centavo) fixed annual dividends. Such voting rights are restricted to subsidiaries and not to the Group.

Class B preferred shares issued by RESA, have no voting rights or intended to refund assets, chiefly represented by tax benefits contributed by shareholders Cosan and Shell respectively, as these are employed by the Group.

Class D preferred shares have no voting rights and are entitled to a fixed annual dividend in RESA as well as in RCSA, to shareholder Shell. Shareholder compensation will take place in the form of dividends and/or interest on shareholders` equity, based on the limitations defined in RESA and RCSA company Bylaws and in legislation in force.

Class E preferred shares issued by RCSA have voting rights and are entitled to a fixed annual dividend to shareholder Shell. Shareholder compensation will take place in the form of dividends and/or interest on shareholders` equity, based on the limitations defined in RCSA company Bylaws and in legislation in force.

## o) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is equal to the fair value of the assets transferred, liabilities assumed and equity instruments issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are recorded in the statement of income as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Non-controlling interests to be recognized are determined for each acquisition carried out.

The excess of the consideration transferred plus the acquisition-date fair value of any previous ownership interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. For acquisitions in which the Group attributes fair value to non-controlling interests, the determination of goodwill also includes the value of any non-controlling interest in the acquiree, and the goodwill is determined considering the Group's and non-controlling interests. When the consideration transferred is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the statement of income for the year as bargain purchase.

## p) Environmental issues

The group reduces risks in connection with environmental issues by means of operating procedures and controls and investments in equipment and pollution control systems. The Group recognizes a provision for losses with environmental expenditures inasmuch as it is necessary to undertake remedial actions for the damages caused.

## 2.4. Impacts of the new IFRS and IFRIC on combined consolidated financial statements

The table below summarizes the impacts on the adoption of IFRS 9 and IFRS 15.

- Statement of financial position at March 31, 2018:

| | | Adjustment due to first-time adoption | | | |
|---|---|---|---|---|---|
| **Statement of financial position items** | **Disclosed at 03/31/2018** | **IFRS 9** | **IFRS 15** | **Note** | **Balance at 04/01/2018** |
| **Current assets** | | | | | |
| Trade accounts receivable | 2,756,767 | (3,857) (*) | - | 6 | 2,752,910 |
| Contract assets | - | - | 415,697 | 12 | 415,697 |
| **Non-current assets** | | | | | |
| Deferred income and social contribution taxes | 158,295 | 1,175 | - | 18 | 159,470 |
| Contract assets | - | - | 1,790,081 | 12 | 1,790,081 |
| Intangible assets | 4,689,901 | - | (2,205,778) | 15 | 2,484,123 |
| **Equity** | | | | | |
| Retained earnings | - | (2,682) | - | - | (2,682) |

(*) Includes the amount of R$ 351 recorded in the companies controlled directly by RCSA, for which no deferred taxes are calculated because these companies are taxed under the deemed income method.

- Other information

On April 1, 2018, there were no impacts on the statements of income and comprehensive income as a result of the amendments made to the new IFRS mentioned above.

## 2.5. New IFRS and IFRIC Interpretations (IASB Financial Reporting Interpretations Committee) applicable to financial statements

The following new standard and standard interpretation were issued by the IASB but are not yet effective for the year ended March 31, 2019.

### IFRS 16 - Leases

IFRS 16 introduces a single model of accounting of leases in the statement of financial position to lessees. A lessee recognizes an asset of right of use that represents its right to use the leased asset, and a lease liability that represents its obligation to make lease payments. Optional exemptions are available for short-term leases and low value items. The lessor's accounting remains similar to the current standard, that is, lessors continue to classify leases as financial or operating leases.

IFRS 16 replaces the current lease standards, including IAS 17 - Commercial Lease Operations and IFRIC 4, SIC 15 and SIC 27 - Complementary Aspects of Commercial Lease Operations and it is effective for fiscal years starting or after January 1, 2019 (in case of the Group, as of April 1, 2019).

Pursuant to this accounting standard, the most significant impact identified is that the Group will recognize new assets and liabilities for operating leases, mainly of fuel distribution bases, lease of gas stations, areas in airports, ships, properties in general and land, whose impacts are between R$ 4,250,000 and R$ 4,750,000. In addition, the nature of expenses related to these leases will be changed, since IFRS 16 replaces the linear operating lease expense for expenses of depreciation of the right of use and interest on lease liabilities, whose nominal discount rate will be of approximately 100% of CDI.

The Group opted for the cumulative effect approach as a transition methodology; that is, without the need to restate comparative information. Calculations will be based on the lease liability on the transition date.

### IFRIC 23 – Uncertainties in relation to tax treatments

This interpretation clarifies how to apply recognition and measurement requirements of IAS 12 – Income Taxes in case there is uncertainty on income tax treatments. In these circumstances, the entity must recognize and measure its current or deferred tax assets or liabilities by applying requirements of IAS 12, based on taxable income (tax loss), tax bases, taxable losses not used, tax credits not used, and tax rates, determined in accordance with this interpretation. This interpretation will become effective as of annual periods started as of or after January 1, 2019 (in case of the Group, as of April 1, 2019) and impacts are being evaluated by Group's Management.

Besides the aforementioned standards, there are no IFRS or IFRIC interpretations that are effective and as Management's current understanding, may result in relevant impacts to the Group.

## 3. Cash and cash equivalents

| | Index | Weighted average remuneration 2019 | Weighted average remuneration 2018 | 2019 | 2018 |
|---|---|---|---|---|---|
| Funds in banks and in cash | | | | 2,330,582 | 1,388,365 |
| Values awaiting foreign exchange closure (1) | | | | 162,854 | 63,338 |
| Interest earnings bank deposits | | | | | |
| Bank deposit certificate (CDB) and commitments (2) | CDI | 99.0% | 100.0% | 3,246,601 | 2,210,857 |
| Other investments | | | | - | 608 |
| | | | | 3,246,601 | 2,211,465 |
| | | | | 5,740,037 | 3,663,168 |
| Domestic (domestic currency) | | | | 3,590,994 | 2,375,152 |
| Abroad (foreign currency) (Note 26.d) | | | | 2,149,043 | 1,288,016 |
| | | | | 5,740,037 | 3,663,168 |

(1) Refer basically to receiving foreign currency funds from overseas clients, for which obtaining foreign exchange from financial institutions was not yet concluded until the statement of financial position date, and to foreign funds intended to settle debts related to export performance. There is no restriction for the immediate use of these amounts.

(2) Refer to fixed income investments in first-class financial institutions.

## 4. Securities

| | Index | Weighted average remuneration 2019 | Weighted average remuneration 2018 | 2019 | 2018 |
|---|---|---|---|---|---|
| Financial Treasury Bills ("LFT") (1) | Selic | 100.0% | 100.0% | 268,413 | 1,078,945 |
| | | | | 268,413 | 1,078,945 |

(1) Refers to investments by means of exclusive Investment Funds with original maturity of 90 days. During the year ended March 31, 2019, the Group received interest in the amount of R$ 8,823 (R$ 48,866 in 2018 and R$ 56,241 in 2017) related to Financial Treasury Bills - LFTs.

## 5. Restricted cash

| | Index | Weighted average remuneration 2019 | Weighted average remuneration 2018 | 2019 | 2018 |
|---|---|---|---|---|---|
| Financial investments linked to financing (1) | CDI | 100.0% | 100.0% | 57,846 | 67,767 |
| Financial investments linked to derivative operations (2) (Note 26.g) | CDI | 101.3% | 100.9% | 64,830 | 38,863 |
| Margin on derivative operations (3) (Note 26.g) | | | | 153,039 | 36,976 |
| | | | | 275,715 | 143,606 |
| Domestic (domestic currency) | | | | 122,676 | 106,630 |
| Abroad (foreign currency) (Note 26.d) | | | | 153,039 | 36,976 |
| | | | | 275,715 | 143,606 |

(1) Correspond to LFTs (Financial Treasury Bills) with prime banks, held by virtue of National Bank of Economic and Social Development ("BNDES") financing and with redemption subject to payment of certain portions of the mentioned financing.

(2) Refer to investments such as CDBs and overseas public bonds with first-class financial institutions, which are used in transactions with derivative instruments.

(3) Margin deposits in derivative operations refer to margin requirements in mercantile exchange (New York Mercantile Exchange ("NYMEX") and B3 S.A. *Brasil, Bolsa e Balcão* ("B3") and are exposed to US dollar exchange fluctuations.

## 6. Trade accounts receivable

| | 2019 | 2018 |
|---|---|---|
| Domestic (domestic currency) | 2,790,186 | 2,667,210 |
| Abroad (foreign currency) (Note 26.d) | 642,922 | 178,237 |
| Funding to clients (i) | 636,756 | 572,090 |
| Estimated loss from allowance for doubtful accounts | (194,956) | (212,914) |
| | 3,874,908 | 3,204,623 |
| Current | (3,360,364) | (2,756,767) |
| Non-current | 514,544 | 447,856 |

(i) Client financing substantially consists of the payment in installments of outstanding debts and sales of properties, as well as financing agreements backed by security interest, pledges and endorsements whose main purpose is the setup or modernization of gas stations. Finance charges and repayment deadlines are agreed by contract and set according to a business assessment of each negotiation.

The Group did not pledge any trade recognized under Accounts receivable to secure financial transactions.

The maximum exposure to credit risk on the statement of financial position date is the book value of each of the types of accounts receivable mentioned above.

The aging schedule of trade and other receivables and funding to clients is as follows:

| | 2019 | 2018 |
|---|---|---|
| Falling due | 3,514,391 | 2,900,317 |
| Overdue (days): | | |
| Up to 30 days | 101,341 | 54,155 |
| 31–90 | 49,688 | 99,619 |
| 91–180 | 32,914 | 21,920 |
| >180 | 371,530 | 341,526 |
| | 4,069,864 | 3,417,537 |

For long overdue trade and with no estimated loss, the Group has real guarantees as mortgage and credit letters.

The loss in allowance for doubtful accounts was estimated based on credit risk analysis, which contemplates loss history, individual situation of clients, situation of the corporate group to which they belong, real guarantees for debts and the assessment of the legal advisors.

Allowance for doubtful accounts is considered sufficient by Management to cover possible losses on amounts receivable; movement is as follows:

| | |
|---|---|
| March 31, 2017 | (210,445) |
| Estimated loss | (50,004) |
| Reversal | 26,492 |
| Write-off | 21,212 |
| Exchange-rate change | (169) |
| March 31, 2018 | (212,914) |
| Initial adoption of IFRS 9 (Note 2.4) | (3,857) |
| April 1, 2018 | (216,771) |
| Reversal of estimated loss, net | 22,266 |
| Exchange-rate change | (451) |
| March 31, 2019 | (194,956) |

As of March 31, 2019, the Group had the amount of R$ 96,421 (R$ 51,677 in 2018) recorded in current liabilities, under “Advances from clients” caption, which substantially refer to the receipts from foreign clients for acquisition of sugar, as well as prepayments by clients for purchase of fuels. When applicable, accounts receivable and advances from clients are presented net.

## 7. Inventories

| | 2019 | 2018 |
|---|---|---|
| Finished goods: | | |
| Ethanol | 644,158 | 681,500 |
| Sugar | 91,586 | 55,215 |
| Diesel (1) | 988,732 | 761,781 |
| Gasoline (1) | 1,131,360 | 752,035 |
| Jet fuel (Jet A-1) | 127,967 | 93,364 |
| Oil by-products (2) | 220,665 | 10,903 |
| Oil (crude) (3) | 231,649 | - |
| Other oil by-products (3) | 204,611 | - |
| Materials, supplies and others | 448,166 | 221,256 |
| Estimated loss for net realizable value and obsolescence | (37,057) | (23,541) |
| | 4,051,837 | 2,552,513 |

(1) On March 31, 2019, these inventories are increased by the amount of R$ 37,764 (plus the amount of R$ 16,827 in 2018), whose positive impact recorded in the statement of income for the year then ended was R$ 20,937 (positive impact of R$ 16,827 in 2018). The Company uses the Tier 2 hierarchy to determine and disclose said fair value. See Note 26.e.

(2) Substantially refers to inventories of fuel oil, lubricants and asphalt.

(3) Raw material and intermediate products arising from the production process of the Raízen Argentina operation.

The movement in the estimated loss for net realizable value and obsolescence is as follows and was recognized in the statement of income under the caption Cost of products sold and services rendered:

| | |
|---|---|
| March 31, 2017 | (78,959) |
| Estimated loss | (18,756) |
| Reversal (1) | 74,174 |
| March 31, 2018 | (23,541) |
| Estimated loss | (27,182) |
| Reversal | 13,666 |
| March 31, 2019 | (37,057) |

(1) Refers mainly to reversal of estimated ethanol inventories' realization losses recognized in the year ended March 31, 2017 due to sale of said product.

## 8. Recoverable taxes

| | 2019 | 2018 |
|---|---|---|
| Refund of ICMS | 334,243 | 320,391 |
| Recoverable ICMS | 331,096 | 250,068 |
| ICMS credits generated in acquisition of property, plant and equipment | 35,187 | 42,074 |
| PIS and COFINS | 905,320 | 353,416 |
| Value added tax ("IVA") (1) | 425,781 | - |
| Other | 290,635 | 116,672 |
| Estimated loss on realization of taxes | (28,998) | (116,729) |
| | 2,293,264 | 965,892 |
| Current | (1,831,187) | (628,397) |
| Non-current | 462,077 | 337,495 |

(1) Refer to federal tax applicable over commercial transactions with clients and suppliers, which generating factor, calculation and payment occurs monthly.

The movement in estimated loss on realization of taxes is as follows:

| | |
|---|---|
| March 31, 2017 | (120,606) |
| Reversal of estimated loss, net | 3,877 |
| March 31, 2018 | (116,729) |
| Reversal of estimated loss, net | 87,731 |
| March 31, 2019 | (28,998) |

On March 31, 2019, the reversal of estimated loss, net corresponds, mainly, to balances of ICMS in the States of Amazonas and Rondônia, due to final judgements of lawsuits in favor of RCSA, as well as the evolution of analysis of the processes conducted by the governments of those States.

## 9. Biological assets

The Group's biological assets correspond to uncut sugarcane cultivated in sugarcane crops that will be used as raw material for production of sugar, ethanol and bioenergy at harvest time. Fair value is evaluated using the cash flow discounted at present value method. Valuation model considers present value of cash flows expected to be generated, including two-year projections, considering estimates for the cutting effective date of uncut sugarcane.

Planted areas refer only to sugarcane plantations, and do not consider planted land and are recognized as property, plant and equipment. The following assumptions were used in the determination of the fair value:

| | 2019 | 2018 |
|---|---|---|
| Estimated harvest area (hectares) | 435,341 | 447,277 |
| Amount of ATR per hectare | 10.18 | 10.27 |
| Average ATR price per Kg projected (R$/Kg) | 0.62 | 0.60 |

As of March 31, 2019, cash flows were discounted at 6.72% (6.37% in 2018) which is the WACC (Weighted Average Capital Cost) of RESA.

The Group periodically reviews assumptions used to calculate biological assets, adjusting it in case there are significant changes in relation to those previously projected.
Roll-forward of biological assets (sugarcane) is detailed below:

| | 2019 | 2018 |
|---|---|---|
| March 31, 2018 | 947,815 | 1,276,321 |
| Additions with sugarcane treatments | 694,500 | 579,081 |
| Absorption of harvested sugarcane costs | (577,183) | (552,881) |
| Business combinations (1) | 10,022 | 12,736 |
| Change in fair value | 5,335 | 272,564 |
| Realization of fair value | (266,494) | (640,006) |
| March 31, 2019 | 813,995 | 947,815 |

(1) It refers to: (i) Acquisition of Santa Candida and Paraíso plants in the amount of R$ 2,288; and (ii) Acquisition of Ryballa in the amount of R$ 7,734.

Fair value estimate could increase (decrease) if:

- Estimated ATR price was higher (lower);
- Estimated productivity (tons per hectare and ATR quantity) were higher (lower); and
- Discount rate were lower (higher)

The Group's sugarcane planting operations are exposed to changes from climate changes, pests and diseases, forest fires and other forces of nature.

Weather conditions may historically cause fluctuations in the sugar and alcohol industry and therefore in Group’s operating income because they affect crops by means of increasing or reducing harvests. Moreover, RESA’s businesses are subject to seasonal fluctuations determined by the sugar cane growth cycle in Brazil's Center-Southern region.

## 10. Other financial assets

| | 2019 | 2018 |
|---|---|---|
| Credits from indemnity suits - refundable (1) | 89,916 | 83,769 |
| Credits from indemnity suits - own (2) | 221,373 | - |
| National Treasury Certificates - CTN (3) | 521,943 | 827,042 |
| Other | 194 | 1 |
| | 833,426 | 910,812 |
| Current | (306,457) | (408,379) |
| Non-current | 526,969 | 502,433 |

(1) Credits from legal disputes on which a final judgment favorable to RESA was passed in February 2007, December 2013 and 2015, which were not part of the net assets contributed by Cosan to set up the Group. Therefore, RESA recognized a liability in the same amount, classified as current and non-current liabilities in the related parties caption, given that RESA has the obligation to reimburse those receivables to Cosan when they are actually collected. These credits yield IPCA-E (Special Amplified Consumer Price Index) and Selic rate change plus annual interest of 6% as applicable.

(2) Receivables from a final judgment in favor of Raízen Araraquara, a subsidiary of RESA, relating to the lawsuit of the Instituto do Açúcar e do Álcool ("IAA") against the Federal Government, filed by Copersucar in 1990. The lawsuit involves the awarding of compensation for losses caused to the mills by the Federal Government when setting prices below market prices. The amount of R$ 221,373 was recognized in the year ended March 31, 2019, under the caption Other operating revenues, net (Note 24).

(3) Brazilian Treasury Certificates are government bonds issued by the Brazilian Treasury within the Special Agriculture Industry Securitization Program - PESA, with a 20-year original maturity (falling due between 2018 and 2023) and which pledged to secure its related financing transaction called PESA. These bonds bear annual compound interest of 12%, plus the IGP-M (General Market Price Index). Their value on maturity date tends to be equivalent to the principal value of the debt due under PESA and to be used for settlement. During the year ended March 31, 2019, RESA redeemed the amount of R$ 380,984 for PESA’s settlement.

## 11. Related parties

### (a) Summary of related party balances

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| **Assets classification per currency:** | | |
| Domestic (domestic currency) | 2,005,858 | 1,937,848 |
| Abroad (foreign currency) (Note 26.d) | 310,839 | 100,728 |
| | 2,316,697 | 2,038,576 |
| **Framework agreement (1)** | | |
| Shell Brazil Holding B.V. | 895,817 | 922,077 |
| Cosan S.A. Indústria e Comércio | 628,593 | 576,945 |
| Shell Brasil Petróleo Ltda. | 63,465 | 67,419 |
| Other | 9,024 | 9,317 |
| | 1,596,899 | 1,575,758 |
| **Commercial and administrative operations (2)** | | |
| Rumo Group | 152,926 | 139,263 |
| Nova América Agrícola Caarapó Ltda. | 110,952 | 120,383 |
| Shell Group | 289,311 | 104,120 |
| Agroterenas S.A. | 34,948 | 40,026 |
| Agricopel Group | 29,446 | 25,439 |
| Comgás – Companhia de Gás de São Paulo | 13,973 | 15,147 |
| Cosan S.A. Indústria e Comércio | 12,546 | 10,057 |
| Raízen and Wilmar Sugar Pte. Ltd. | 56,047 | 825 |
| Other | 17,986 | 7,558 |
| | 718,135 | 462,818 |
| **Corporate restructuring** | | |
| Geo Energética Participações S.A. | 1,663 | - |
| | 1,663 | - |
| | 2,316,697 | 2,038,576 |
| Current assets | (962,937) | (709,027) |
| Non-current assets | 1,353,760 | 1,329,549 |

| | 2019 | 2018 |
|---|---|---|
| **Liabilities** | | |
| **Classification of liabilities per currency:** | | |
| Domestic (domestic currency) | 1,011,137 | 1,054,447 |
| Abroad (foreign currency) (Note 26.d) | 2,291,737 | 133,002 |
| | 3,302,874 | 1,187,449 |
| **Framework agreement (1)** | | |
| Cosan S.A. Indústria e Comércio | 458,507 | 436,535 |
| Shell Brasil Petróleo Ltda. | 118,039 | 100,028 |
| Shell Brazil Holding B.V. | 32,891 | 34,438 |
| Other | 1,282 | 1,282 |
| | 610,719 | 572,283 |
| **Financial operations** | | |
| Shell Finance (Netherlands) B.V. | 2,478 | 3,567 |
| Cosan S.A. Indústria e Comércio | 2,106 | 3,032 |
| Sapore S.A. | 5 | 1 |
| | 4,589 | 6,600 |
| **Commercial and administrative operations (2)** | | |
| Raízen and Wilmar Sugar Pte. Ltd. | 79,967 | 299 |
| Agroterenas S.A. | 15,703 | 12,934 |
| Nova América Agrícola Caarapó Ltda. | 19,464 | 9,731 |
| Nova América Agrícola Ltda. | 9,769 | 9,428 |
| Rumo Group | 29,131 | 38,808 |
| Shell Group | 250,803 | 130,199 |
| Agricopel Group | 6,420 | 6,435 |
| Cosan S.A. Indústria e Comércio | 1,826 | 7,104 |
| Other | 18,568 | 22,508 |
| | 431,651 | 237,446 |
| **Preferred shares (3)** | | |
| Shell Brazil Holding B.V. | 290,809 | 284,554 |
| Cosan S.A. Indústria e Comércio | 5,161 | 10,828 |
| | 295,970 | 295,382 |
| **Corporate restructuring (4)** | | |
| Logum logística S.A. | - | 61,457 |
| Uniduto Logística S.A. | - | 14,281 |
| | - | 75,738 |
| **Purchase of ownership interest (5)** | | |
| B. V. Dordtsche Petroleum Maatschappij | 553,342 | - |
| Shell Overseas Investments B.V. | 1,406,603 | - |
| | 1,959,945 | - |
| | 3,302,874 | 1,187,449 |
| Current liabilities | (2,881,826) | (781,397) |
| Non-current liabilities | 421,048 | 406,052 |

## (1) Framework agreement

The sums stated in assets and liabilities refer to refundable values chargeable to shareholders, existing prior to the creation of Raízen, when actually realized or settled.

## (2) Commercial and administrative operations

On March 31, 2019, the sum stated in assets of R$ 718,135 (R$ 462,818 in 2018) refers to transactions for the sale of goods, such as gasoline, diesel, jet fuel, sugar and ethanol.

As of March 31, 2019, the amount recorded in liabilities of R$ 431,651 (R$ 237,446 in 2018), substantially refers to the business operations of purchase of products and rendering of services (freights and warehousing), as well as advances from clients to sugar export.

## (3) Preferred shares

Mostly tax benefits to reimburse Shell and Cosan, when effectively utilized by the Group, determined based on NOLs and tax benefits on goodwill amortization ("GW") from prior years before the Raízen Group's formation. Reimbursement shall occur through distribution of disproportionate dividends and/or capital decrease to holders of B and E class preferred shares (liability financial instrument).

During the year ended March 31, 2019, RESA proposed the allocation of R$ 5,667 (R$ 10,355 in 2018) of dividends to Cosan, related to Class B preferred shares.

During the year ended March 31, 2019, the tax credits arising from overpayments of corporate income tax ("IRPJ") and social contribution ("CSLL") for 2010 and 2011, related to Class E preferred shares due by RCSA to Shell, adjusted by the Selic rate, totaled R$ 6,255 (R$ 14,384 in 2018).

## (4) Corporate restructuring

As at March 31, 2018, the amounts recorded in liabilities referred to the capital subscription that RESA had to pay to these associated companies.

## (5) Purchase of ownership interest

As mentioned in Note 1.1, RCSA completed the acquisition of the DS business of the Shell Group in Argentina on October 1, 2018 for the amount of R$ 3,917,438, equivalent to US$ 988,081 thousand, of which R$ 1,637,303 and R$ 450,974, equivalent to US$ 408,877 thousand and ARS 4,496,250 thousand, which are subject to exchange variation of U.S. Dollar and Argentinian Peso, respectively. These amounts should be paid up to December 2019 to SOI and DPM.

Within the scope of the preliminary allocation of the purchase price of Raízen Argentina (Note 29), RCSA recognized an adjustment for present value on installments to be paid, in the amount of R$ 109,420. The amount of interest expenses, recognized in the statement of income for the year ended March 31, 2019, related to mentioned adjustment, was R$ 50,098. As of March 31, 2019, the balance of adjustment to present value on installments of undisbursed debts is R $ 59,322.

During the year ended March 31, 2019, RCSA recognized a gain in the financial income (loss) related to such balance payable totaling R$ 69,010. As mentioned in Note 2.c, RCSA considered part of the debt as hedge of net investment in foreign entity. The amount classified in equity in caption "equity valuation adjustments" represented a loss of R$ 54,235.

## (b) Summary of related-party transactions (k)

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Sale of products | | | |
| Raízen and Wilmar Sugar Pte, Ltd, | 1,384,680 | 2,223,935 | - |
| Rumo Group (f) | 1,231,065 | 1,055,243 | 819,818 |
| Agricopel Group (j) | 841,983 | 718,136 | 619,605 |
| Shell Group | 1,809,489 | 1,168,151 | 1,086,117 |
| Agroterenas S,A, | 28,321 | 18,140 | 34,946 |
| Other | 42,293 | 42,476 | 63,701 |
| | 5,337,831 | 5,226,081 | 2,624,187 |
| Purchase of goods and services | | | |
| Shell Group | (2,587,793) | (2,740,741) | (3,169,163) |
| Rumo Group (f) | (478,852) | (533,235) | (486,915) |
| Agroterenas S,A, | (252,940) | (271,178) | (279,953) |
| Nova América Agrícola Ltda, | (163,433) | (169,119) | (160,919) |
| Nova América Agrícola Caarapó Ltda, | (184,306) | (139,572) | (199,587) |
| Agricopel Group | (89,499) | (56,970) | (59,858) |
| Ilha Terminal Distribuidora de Petróleo Ltda | (18,947) | - | - |
| Cosan Lubrificantes e Especialidades S,A, | (21,881) | (19,503) | (23,564) |
| Other | (91,999) | (70,628) | (81,805) |
| | (3,889,650) | (4,000,946) | (4,461,764) |
| Renewed collection of shared expenses (a) | | | |
| Comgás – Companhia de Gás de São Paulo | 34,952 | 33,868 | 31,104 |
| Rumo Group (f) | 28,716 | 26,969 | 27,375 |
| Cosan Lubrificantes e Especialidades S,A, | 6,596 | 6,801 | 7,116 |
| Other | 6,449 | 7,527 | 7,119 |
| | 76,713 | 75,165 | 72,714 |
| Land leases | | | |
| Radar Group (g) | (72,179) | (78,069) | (83,413) |
| Janus Brasil Participação S,A, | (29,397) | (31,224) | (16,491) |
| Tellus group (h) | (22,299) | (24,322) | (25,116) |
| Aguassanta Group (i) | (12,134) | (11,625) | (27,063) |
| Barrapar Participações S,A, | (21) | (64) | (67) |
| | (136,030) | (145,304) | (152,150) |
| Financial revenue (expense) (b) | | | |
| B, V, Dordtsche Petroleum Maatschappij | 20,292 | - | - |
| Shell Overseas Investments B,V, | 52,855 | - | - |
| Shell Trading US Company | (17,405) | (12,761) | 44,571 |
| Shell Aviation Limited | 19,371 | 4,787 | (2,702) |
| Other | 13,441 | 18,150 | 8,677 |
| | 88,554 | 10,176 | 50,546 |
| Revenues from services (c) | | | |
| Shell Holding B,V, | 12,031 | 2,054 | 487 |
| Shell Aviation Limited | 2,095 | 3,118 | 3,234 |
| Agricopel Group | 177 | 4,422 | 1,224 |
| Shell Brasil Petróleo Ltda, | 400 | 1,278 | 16,174 |
| Shell Downstream Services International BV | - | 760 | - |
| Other | 10 | 6 | 117 |
| | 14,713 | 11,638 | 21,236 |
| Services expenses (d) | | | |
| Shell Brasil Petróleo Ltda, | (18,358) | (16,402) | (25,378) |
| Shell International Petroleum | (5,350) | (3,367) | (3,043) |
| Other | (695) | (2,677) | (7,692) |
| | (24,403) | (22,446) | (36,113) |

(a) Reimbursement of shared expenses consists of expenses incurred by shared corporate, managerial and operating costs reimbursed from related parties.
(b) Financial expenses basically consist of expenses incurred with commissions on available credit facilities and restatement of balances of advances granted to finance sugar cane crops as well as the foreign exchange rate of commercial activities from imports and sales of fuel and interest, exchange rate exchange and adjustment to present value on balance payable to SOI and DPM for the acquisition of Raízen Argentina.
(c) They mainly consist of commissions on the sales of lubricants to Shell.
(d) Service expenses consist of expenses incurred with technical support, billing and collection, commissions on the sale of jet fuel and secondees from Shell.
(e) Group's purchase transactions from Shell Trading US Company are substantially represented by those originated from imports of ethanol and its by-products in foreign market.
(f) The term Rumo Group refers to the railway and port operations represented by the companies Rumo S.A., Elevações Portuárias S.A, Logispot Armazéns Gerais S.A., Rumo Malha Sul S.A., Rumo Malha Oeste S.A., Rumo Malha Paulista S.A., Rumo Malha Norte S.A., ALL América Latina Logística Rail Management, Portofer Transporte Ferroviário Ltda. and Brado Logística S.A.
(g) The term Radar Group refers to the purchase, sale and rental of own properties, represented mainly by the companies Radar Propriedades Agrícolas S.A., Nova Agrícola Ponte Alta S.A., Nova Amaralina S.A., Bioinvestiments Negócios e Participações S.A. and Proud Participações S.A..
(h) The term Tellus Group refers to the purchase, sale and rental of own properties, represented mainly by the companies Tellus Brasil Participações S.A., Terrainvest Propriedades Agrícolas S.A. and Agrobio Investimentos e Participações S.A..
(i) The term Aguassanta Group refers to the purchase, sale and rental of own properties, represented mainly by the companies Aguassanta Participações S.A., Santa Bárbara Agrícola S.A., Aguassanta Agrícola Ltda., Aguapar Agrícola Ltda. and Palermo Agrícola S.A..
(j) The term Agricopel Group refers to the trading of fuel presented mainly by the companies Agricopel Comércio de Derivados de Petróleo Ltda. and Posto Agricopel Ltda., whose relationship occurs through FIX Investimentos Ltda., which is the non-controlling shareholder of Mime.
(k) Transactions with related parties are entered into under reasonable and cumulative conditions, in line with those prevailing in the market or that the Group would contract with third parties.
(l) The term Shell Group refers to commercial operations, mainly by the companies Shell Aviation Limited and Shell Trading US Company.

## (c) Directors and members of the Board of Directors

Fixed and variable remuneration pay to Group's key personnel, including statutory officers and members of the Board of Directors that is recognized in the statement of profit or loss for the year ended March 31, 2019, 2018 and 2017 is as follows:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Regular remuneration | (55,341) | (51,401) | (46,983) |
| Bonuses and other variable remuneration | (35,521) | (39,489) | (45,207) |
| Total remuneration | (90,862) | (90,890) | (92,190) |

## (d) Other information involving related parties

### *Back-up Credit Facility Agreement*

During the year ended March 31, 2019, RESA was a beneficiary of the Revolving Committed Back-up Credit Facility Agreement of a US$ 700,000 thousand granted by Shell Finance (Netherlands) B.V. and Cosan S.A. Indústria e Comércio ("Cosan S.A.") and it transferred to RCSA. Until the closing of the fiscal year ended on March 31, 2019 the mentioned credit facility had not been used.

## 12. Assets from contracts with clients

These contract assets are related to payments made by RCSA to its clients and are amortized based on the volume sold to the clients. The amortization of these contract assets is recognized in the statement of income, under the caption of net operating revenue (Note 22).

| | |
|---|---|
| Balances at March 31, 2018 | - |
| Initial adoption of IFRS 15 (Note 2.4) | 2,205,778 |
| Balances at April 1, 2018 | 2,205,778 |
| Additions of contracts and other | 676,504 |
| Amortization | (452,503) |
| Balances at March 31, 2019 | 2,429,779 |
| Current | (429,718) |
| Non-current | 2,000,061 |

## 13. Investments

| | | | | Investments (1) | | Equity in net income of subsidiaries | | |
|---|---|---|---|---|---|---|---|---|
| | Country | Business | Equity interest percentage | 2019 | 2018 | 2019 | 2018 | 2017 |
| Book value | | | | | | | | |
| Centro de Tecnologia Canavieiras S.A. | Brazil | R&D | 19.58% | 116,717 | 110,989 | 4,651 | 2,863 | 4,220 |
| Logum Logística S.A. (3) | Brazil | Logistics | 30.00% | 314,269 | 132,986 | (19,399) | (29,521) | (35,074) |
| Uniduto Logística S.A. | Brazil | Logistics | 46.48% | 48,709 | 31,416 | 26,723 | (7,500) | (38,783) |
| Raízen and Wilmar Sugar Pte. Ltd. | Singapore | Trading | 50.00% | 35,601 | 13,448 | 19,012 | 12,735 | - |
| Termap S.A. | Argentina | Logistics | 3,50% | 268 | - | - | - | - |
| Serviços e Tecnologia de Pagamentos S.A. | - | - | - | - | - | - | - | (2,919) |
| | | | | 515,564 | 288,839 | 30,987 | (21,423) | (72,556) |
| Investment goodwill (2) | | | | | | | | |
| Uniduto Logística S.A. | | | | 5,676 | 5,676 | - | - | - |
| Centro de Tecnologia Canavieira S.A. | | | | 51,946 | 51,946 | - | - | - |
| | | | | 57,622 | 57,622 | - | - | - |
| Total investments | | | | 573,186 | 346,461 | 30,987 | (21,423) | (72,556) |

(1) Investments assessed under the equity method;

(2) Goodwill on the purchase and transfer of shares;

(3) As of March 31, 2019, includes the reversal of the impairment loss on the investment, in the amount of R$ 131,792 (Note 13.b.ii)

The roll-forward of the investments in associated companies, is as follows:

| | |
|---|---|
| Balance at March 31, 2017 | 244,429 |
| Equity accounting results | (21,423) |
| Additions | 123,058 |
| Other | 397 |
| Balance at March 31, 2018 | 346,461 |
| Equity accounting results | 30,987 |
| Additions to investment (Note 13.b.i) | 26,793 |
| Revaluation to investment (Note 13.b.ii) | 241,259 |
| Decreases in investment (Note 13.b.iii) | (75,738) |
| Other | 3,424 |
| Balance at March 31, 2019 | 573,186 |

**(a) Summarized financial information on investments, considering adjustments to equity value, when applicable.**

**(i) The main associated companies' accounts, are as follows:**

- March 31, 2019

| | Logum Logística S.A. (1)/(2) | Uniduto Logística Ltda. (1)/(2) | Centro de Tecnologia Canavieira S.A. (2)/(4) | Iogen Energy Corporation (3) | Raízen and Wilmar Sugar PTE Ltd. (4) |
|---|---|---|---|---|---|
| Assets | 2,101,565 | 104,814 | 789,042 | 29,267 | 593,148 |
| Liabilities | (1,054,003) | (7) | (192,949) | (296,033) | (521,946) |
| Equity | 1,047,562 | 104,807 | 596,093 | (266,766) | 71,202 |
| Net operating revenue | 169,620 | - | 180,452 | - | 2,082,119 |
| Net income (loss) | (99,780) | (1,288) | 23,730 | (909) | 38,272 |

- March 31, 2018

| | Logum Logística S.A. (1) / (2) | Uniduto Logística Ltda. (1) / (2) | Centro de Tecnologia Canavieira S.A. (2) / (4) | Iogen Energy Corporation (3) | Raízen and Wilmar Sugar PTE Ltd. (4) |
|---|---|---|---|---|---|
| Assets | 2,287,895 | 98,340 | 801,551 | 34,594 | 93,584 |
| Liabilities | (1,015,609) | (30,743) | (234,701) | (265,464) | (66,688) |
| Equity | 1,272,286 | 67,597 | 566,850 | (230,870) | 26,896 |
| Net operating revenue | 93,834 | - | 90,011 | - | 2,804,380 |
| Net income (loss) | (140,515) | (200) | 14,619 | (1,214) | 25,398 |

(1) The fiscal year of these investees ends on December 31;
(2) Significant influence over these companies has been defined, mainly, based on the Group's right to elect key management personnel and to decide on their significant operational and some strategic issues.

(3) Jointly controlled entity in which the Group participation is 50% in common shares, whose fiscal year ends on August 31. RESA did not form an estimated loss for shareholders' deficit of loss of equity-accounted investees, given that it has no legal or constructive obligations to make payments on account of that company.
(4) The fiscal year of these investees ends on March 31.

## (b) Investment transactions in associated companies occurred in the year ended March 31, 2019

### (i) Additions to investment

Capital increase in Logum Logística S.A. ("Logum")

In the year ended March 31, 2019, capital increases were resolved, approved and subscribed totaling R$ 104,400. The sum underwritten by RESA in these transactions totaled R$ 20,880, fully paid-in in cash.

Capital increases in Uniduto Logística S.A. ("Uniduto")

In the year ended March 31, 2019, capital increases were resolved, approved and subscribed totaling R$ 10,440. The sum underwritten by RESA in these transactions totaled R$ 4,852, fully paid-in in cash.

In these operations, there were no changes in the percentage of interest in capital of the investee, since all shareholders effected capital contributions in proportion to their existing holding.

Capital increase of the Centro de Tecnologia Canavieira ("CTC")

During the CTC's Board of Directors' Meeting held on December 14, 2018 a R$ 5,652 capital increase in CTC was approved, without an issue of new shares. On February 6, 2019, the capital increase was paid in and ratified by the Board of Directors. Accordingly, RESA recognized an investment of R$ 1,061, according to the interest held by it.

### (ii) Revaluation of investment

According to accounting annual evaluation of investment recoverability at Logum pursuant to IAS 36 - Asset Impairment and IAS 28 - Investments in Associated Company and Subsidiary, on March 31, 2019, RESA recognized a reversal of the estimated impairment losses, previously recorded, in the amount of R$162,384, being R$131,792 in statement of income for the year under "Other operating revenues, net" caption (Note 24), referring to direct interest in Logum, and R$30,592 under "Equity in investees" caption, referring to RESA's indirect interest in Logum via associated company Uniduto.

During the year ended March 31, 2019, Logum obtained capital contributions from the shareholders, completed its corporate restructuring process and contracted a long-term loan. These main factors allowed Logum to implement and develop Phase I of the project, by balancing the capacity to collect and deliver fuels and having access to the largest consumer center in the country, the metropolitan region of São Paulo. Furthermore, Logum negotiated supply agreements and signed contracts to use Transpetro's infrastructure with Petrobras. Thus, the current infrastructure of the project is the backbone of the next business plan stages, which will increase volumes as system gains capillarity, connecting ethanol producers and consumers.

These factors and assumptions were considered sufficient and resulted in a positive cash flow projection for the project, higher than the investment's accounting balances.

Moreover, upon completion of the corporate restructuring, RESA obtained an additional shareholding from former shareholders of Logum, its associated company, generating a gain from ownership interest of R$ 109,467, recognized in the statement of income for the year under "Other net operating revenues" (Note 24).

At the end of these operations, RESA started to hold direct and indirect ownership interest of 30% and 34.65%, respectively, in Logum (20.81% and 25.65% in 2018).

**(iii) Decreases in investment**

Capital decrease to be paid-up at Logum and Uniduto

On December 27, 2018, as a result of the agreed corporate restructuring, the shareholders decided to cancel the subscribed but not paid-in capital in Logum. Accordingly, RESA recognized a reduction of R$ 61,457 in its investment, whose impacts were recorded under the caption Related parties.

Furthermore, the capital to be paid by RESA in Uniduto for the indirect interest in Logum was also canceled, representing a reduction in RESA's investment in Uniduto, in the amount of R$ 14,281, whose impacts were recorded under the caption Related parties.

**(c) Investment transactions in subsidiaries and associated companies occurred in the year ended March 31, 2018**

**(i) Additions to investment**

Capital increase in Logum Logística S.A. ("Logum")

In the year ended March 31, 2018, capital increases were resolved, approved and subscribed totaling R$ 498,000. Amount subscribed by RESA in these operations totaled R$ 99,600, being R$ 97,889 in cash and R$1,711 as settlement of advance for future capital increase.

At the end of these transactions, RESA started to hold direct and indirect ownership interests of 20.81% and 25.65%, respectively, in Logum (21.28% and 26.23% as at March 31, 2017).

Capital increase in Uniduto Logística S.A. ("Uniduto")

During the year ended March 31, 2018, at RCA capital increases were resolved and approved totaling R$ 49,800. The sum underwritten and partially paid by RESA in these transactions totaled R$ 23,146 and paid-up upon credit in checking account.

In these operations, there were no changes in the percentage of interest in capital of the investee, since all shareholders effected capital contributions in proportion to their existing holding.

Capital increase at Raizen and Wilmar Sugar PTE. Ltd. ("RaW")

As of September 30, 2016, a capital increase of US$ 200,000 corresponding to R$ 623 was decided, upon subscription of 200,000 shares of US$ 1 each. On April 3, 2017, RESA paid up in this operation, the amount of US$ 100,000, corresponding to R$ 312 in cash, proportional to its interest of 50%.

## (ii) Disposal of ownership interest

Sale of TEAS

On March 29, 2018, RESA sold TEAS, corresponding to 100% of the capital of the company, to UltraCargo Operações Logísticas e Participações Ltda. The adjusted final sale price of the transaction was R$ 106,430, whereas an amount of R$ 100,000 was received via a current account credit on March 29, 2018, and the remaining balance of R$ 6,430 was recognized on the same date as other receivables arising mainly from adjustments in working capital and advance from sale. The aforementioned amounts were recorded as gain in the result of RESA, net of write-off of the investment and goodwill, as shown below:

| Captions | Total |
|---|---|
| Adjusted final sales price | 106,430 |
| Write-off of investment | (47,865) |
| Write-off of goodwill | (4,818) |
| Gain of net capital for sale | **53,747** |

The breakdown of net assets written-off by the sale is as follows:

| Captions | Total |
|---|---|
| Cash and cash equivalents | 3,662 |
| Recoverable income tax and social contribution | 1,967 |
| Recoverable taxes and contributions | 1,863 |
| Deferred income and social contribution tax (Note 18) | 1,054 |
| Judicial deposits | 72 |
| Property, plant and equipment (Note 14) | 39,261 |
| Provision for legal disputes (Note 19) | (14) |
| | **47,865** |

## 14. Property, plant and equipment

| | March 31, 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Lands and rural properties | Buildings and improvements | Machinery, equipment and facilities | Aircrafts, vessels and vehicles | Furniture, fixtures and IT equipment | Constructions in progress | Frequently replaced parts and accessories | Sugarcane planting | Other | Total |
| Cost: | | | | | | | | | | |
| March 31, 2018 | 595,759 | 1,914,301 | 9,998,537 | 700,874 | 233,300 | 754,997 | 1,245,902 | 4,976,918 | 41,306 | 20,461,894 |
| Additions | 30,841 | 5,526 | 59,067 | 1,217 | 4,817 | 1,089,068 | 664,581 | 640,521 | (5) | 2,495,633 |
| Business combinations (3) | 498,005 | 666,754 | 2,115,898 | 9,931 | 8,009 | 308,291 | - | - 21,020 | - | 3,627,908 |
| Write-offs | (44,154) | (12,635) | (224,805) | (38,799) | (32,187) | (584) | - | - | (4,142) | (357,306) |
| Reversal of estimated loss, net and other (2) | - | 1,161 | 11,592 | (229) | 1,490 | - | - | - | - | 14,014 |
| Transfers (1) | 38,794 | 237,605 | 631,085 | 53,077 | 58,870 | (1,061,695) | - | - | 5,311 | (36,953) |
| Effect of foreign currency translation | (13,620) | (17,319) | (62,622) | (86) | 17 | (6,555) | - | - | - | (100,185) |
| Transfer between cost and depreciation | - | - | - | - | - | - | (665,301) | - | - | (665,301) |
| March 31, 2019 | 1,105,625 | 2,795,393 | 12,528,752 | 725,985 | 274,316 | 1,083,522 | 1,245,182 | - 5,638,459 | 42,470 | 25,439,704 |
| Accumulated depreciation: | | | | | | | | | | |
| March 31, 2018 | - | (478,320) | (3,845,493) | (337,917) | (153,189) | - | (665,300) | (3,644,899) | (32,058) | (9,157,176) |
| Depreciation for the year | - | (75,457) | (633,445) | (55,176) | (28,632) | - | (648,024) | (411,733) | (9,416) | (1,861,883) |
| Write-offs | - | 7,498 | 179,898 | 33,523 | 27,902 | - | - | - | 3,921 | 252,742 |
| Transfers (1) | - | (6,404) | 10,445 | (1,189) | (3,409) | - | - | - | (1) | (558) |
| Effect of foreign currency translation | - | (490) | (3,063) | (55) | (57) | - | - | - | - | (3,665) |
| Transfer between cost and depreciation | - | - | - | - | - | - | 665,301 | - | - | 665,301 |
| March 31, 2019 | - | (553,173) | (4,291,658) | (360,814) | (157,385) | - | (648,023) | (4,056,632) | (37,554) | (10,105,239) |
| Net residual value: | | | | | | | | | | |
| March 31, 2019 | 1,105,625 | 2,242,220 | 8,237,094 | 365,171 | 116,931 | 1,083,522 | 597,159 | 1,581,827 | 4,916 | 15,334,465 |
| March 31, 2018 | 595,759 | 1,435,981 | 6,153,044 | 362,957 | 80,111 | 754,997 | 580,602 | 1,332,019 | 9,248 | 11,304,718 |

(1) As of March 31, 2019, net transfer of R$ 37,511 includes: (a) transfer to intangible assets (software), in the amount of R$ 48,865, and (b) amounts transferred from Trade accounts receivable and Other receivables, totaling R$ 11,354; (2) Refers substantially to reversal of estimated inventory loss, net, recognized in income (loss) for the year under "Other operating revenues, net" caption (Note 24); and (3) is comprised of: (a) Final adjustments in the allocation of the acquisition price of the Santa Candida and Paraíso plants in the negative amount of R$ 9,509, (b) acquisition of RWXE in the amount of R$ 158 (c) acquisition of Ryballa in the amount of R$ 20,948 and (d) acquisition of Raízen Argentina in the amount of R$ 3,616,311. The details of these business combinations are disclosed in Note 29.

| | March 31, 2018 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Lands and rural properties | Buildings and improvements | Machinery, equipment and facilities | Aircrafts, vessels and vehicles | Furniture, fixtures and IT equipment | Constructions in progress | Frequently replaced parts and accessories | Sugarcane planting | Other | Total |
| Cost: | | | | | | | | | | |
| March 31, 2017 | 626,896 | 1,547,789 | 9,525,085 | 666,772 | 235,837 | 867,083 | 1,066,582 | 4,382,729 | 45,574 | 18,964,347 |
| Additions | - | 3,956 | 30,568 | 3,107 | 1,298 | 788,020 | 629,504 | 478,359 | - | 1,934,812 |
| Business combinations (2) | 5,586 | 74,640 | 228,136 | 25,923 | 1,032 | - | - | 115,830 | - | 451,147 |
| Write-offs | (40,542) | (21,625) | (246,737) | (40,305) | (22,445) | (3,989) | - | - | (5,490) | (381,133) |
| Reversal of estimated loss, net and other (4) | (1,982) | 33 | 8,965 | (125) | 825 | - | - | - | - | 7,716 |
| Write-off for disposal of ownership interest (3) | (1,366) | (17,800) | (34,740) | - | (36) | (9) | - | - | - | (53,951) |
| Transfers (1) | 7,167 | 327,308 | 487,260 | 45,502 | 16,789 | (896,108) | 2,560 | - | 1,222 | (8,300) |
| Transfer between cost and depreciation | - | - | - | - | - | - | (452,744) | - | - | (452,744) |
| March 31, 2018 | 595,759 | 1,914,301 | 9,998,537 | 700,874 | 233,300 | 754,997 | 1,245,902 | 4,976,918 | 41,306 | 20,461,894 |
| Accumulated depreciation: | | | | | | | | | | |
| March 31, 2017 | - | (439,918) | (3,586,638) | (315,773) | (150,029) | - | (452,744) | (3,253,454) | (34,347) | (8,232,903) |
| Depreciation for the year | - | (44,155) | (469,069) | (54,727) | (23,682) | - | (665,300) | (391,099) | (3,129) | (1,651,161) |
| Write-offs | - | 9,913 | 189,704 | 32,846 | 20,101 | - | - | (346) | 5,402 | 257,620 |
| Write-off for disposal of ownership interest (2) | - | 4,434 | 10,229 | - | 27 | - | - | - | - | 14,690 |
| Transfers (1) | - | (8,594) | 10,281 | (263) | 394 | - | - | - | 16 | 1,834 |
| Transfer between cost and depreciation | - | - | - | - | - | - | 452,744 | - | - | 452,744 |
| March 31, 2018 | - | (478,320) | (3,845,493) | (337,917) | (153,189) | - | (665,300) | (3,644,899) | (32,058) | (9,157,176) |
| Net residual value: | | | | | | | | | | |
| March 31, 2018 | 595,759 | 1,435,981 | 6,153,044 | 362,957 | 80,111 | 754,997 | 580,602 | 1,332,019 | 9,248 | 11,304,718 |
| March 31, 2017 | 626,896 | 1,107,871 | 5,938,447 | 350,999 | 85,808 | 867,083 | 613,838 | 1,129,275 | 11,227 | 10,731,444 |

(1) As of March 31, 2018, net transfer of R$ 6,466 includes: (a) transfer to intangible assets (software), in the amount of R$ 12,888, and (b) amounts transferred from Trade accounts receivable and Other receivables, totaling R$ 6,422; (2) Refers to acquisition of Santa Cândida and Paraíso plants in the scope of Tonon's business combinations (Note 29); (3) Refers to the sale of TEAS (Note 13.c.ii) and (4) Refers substantially to the net formation of estimated loss in inventory, recognized in income (loss) for the period under "Other operating revenues, net" caption (Note 24).

## Constructions in progress

The balances of construction in progress consist basically of: (i) stillage concentration project; (ii) project for receiving the chopped sugar cane and separate the straw for the co-generation of energy; (iii) installation of tanks to increase ethanol storage capacity; (iv) investments for industrial maintenance and improvement, agricultural automation, in addition to safety, health and environment and administrative investments; (v) construction projects for new fuel distribution terminals and the expansion, modernization and improvement of existing terminals; (vi) investments in Shell gas stations to replace fuel pumps, make environmental adaptations, polish the image, renovate and refurbish gas station convenience stores, purchase and install furniture and equipment for the gas station convenience stores; (vii) investments in major clients (B2B) such as the acquisition and installation of equipment, installation of gas stations in these major consumer clients; and (viii) expansion, modernization and improvement in airports, such as the acquisition of supply vehicles, expansion of the networks of hydrants and points of supply.

During the year ended March 31, 2019, several projects were concluded totaling R$ 1,061,695.

## Borrowing cost capitalization

In the year ended March 31, 2019 the cost of loans capitalized in the Group were R$ 30,825 (R$ 36,150 in 2018). The annual weighted average rates of debt finance charges were 6.67% as of March 31, 2019 (7.52% in 2018).

## Financial lease

As of March 31, 2019, the machinery and equipment, vehicle aircraft classes include net residual values of R$ 13,382 (R$ 24,344 in 2018), in which RESA is the lessee under a finance lease, guaranteed by promissory note in the original amount of R$ 13,076.

## Property, plant and equipment pledged

As of March 31, 2019, loans and financing are secured by land, building and machinery in the amounts of R$ 679,146 (R$ 1,093,646 in 2018).

## 15. Intangible assets

| | March 31, 2019 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Software license | Goodwill | Brands | Agricultural Partnership Agreements | Sugarcane supply agreements | Contractual relationships with clients | Exclusive supply rights | Public concession rights of use | Technology | Other | Total |
| Cost: | | | | | | | | | | | |
| March 31, 2018 | 470,754 | 2,383,350 | 532,348 | 18,411 | 181,516 | 362,834 | 3,727,500 | 12,541 | 183,730 | 24,760 | 7,897,744 |
| Initial adoption of IFRS 15 (Note 2.4) | - | - | - | - | - | (362,834) | (3,727,284) | - | - | (216) | (4,090,334) |
| April 1, 2018 | 470,754 | 2,383,350 | 532,348 | 18,411 | 181,516 | - | 216 | 12,541 | 183,730 | 24,544 | 3,807,410 |
| Additions | 46,797 | - | - | - | - | - | - | - | 1,331 | - | 48,128 |
| Write-offs | (1,674) | - | - | - | - | - | - | - | - | - | (1,674) |
| Transfers (1) | 47,040 | - | - | - | - | - | - | - | - | 73 | 47,113 |
| Business combinations (Note 29) | 3,570 | 237,919 | - | - | - | 284,735 | - | - | - | - | 526,224 |
| Effect of foreign currency translation | (116) | - | - | - | - | - | - | - | - | - | (116) |
| Other | - | - | - | - | - | - | - | - | - | 1,358 | 1,358 |
| March 31, 2019 | 566,371 | 2,621,269 | 532,348 | 18,411 | 181,516 | 284,735 | 216 | 12,541 | 185,061 | 25,975 | 4,428,443 |
| Amortization: | | | | | | | | | | | |
| March 31, 2018 | (327,419) | (431,380) | (370,451) | (15,475) | (91,198) | (113,632) | (1,770,924) | (12,195) | (53,964) | (21,205) | (3,207,843) |
| Initial adoption of IFRS 15 (Note 2.4) | - | - | - | - | - | 113,632 | 1,770,708 | - | - | 216 | 1,884,556 |
| April 1, 2018 | (327,419) | (431,380) | (370,451) | (15,475) | (91,198) | - | (216) | (12,195) | (53,964) | (20,989) | (1,323,287) |
| Amortization in the year | (45,325) | - | (52,504) | (2,687) | (10,965) | (10,235) | - | (346) | (18,373) | - | (140,435) |
| Write-offs | 1,662 | - | - | - | - | - | - | - | - | - | 1,662 |
| Transfers (1) | 1,752 | - | - | (249) | 249 | - | - | - | - | - | 1,752 |
| Effect of foreign currency translation | 94 | - | - | - | - | - | - | - | - | - | 94 |
| March 31, 2019 | (369,236) | (431,380) | (422,955) | (18,411) | (101,914) | (10,235) | (216) | (12,541) | (72,337) | (20,989) | (1,460,214) |
| Net residual value: | | | | | | | | | | | |
| March 31, 2019 | 197,135 | 2,189,889 | 109,393 | - | 79,602 | 274,500 | - | - | 112,724 | 4,986 | 2,968,229 |
| March 31, 2018 | 143,335 | 1,951,970 | 161,897 | 2,936 | 90,318 | 249,202 | 1,956,576 | 346 | 129,766 | 3,555 | 4,689,901 |

(1) On March 31, 2019, it includes a net transfer from Property, plant and equipment in the amount of R$ 48,865 and (2) Is comprised by: (a) Final adjustments in the allocation of the acquisition price of the Santa Candida and Paraíso plants in the amount of R$ 21,135, (b) acquisition of RWXE in the amount of R$ 24,626 (c) acquisition of Ryballa in the amount of R$ 5,400 and (d) acquisition of Raízen Argentina in the amount of R$ 475,063. See Note 29.

| | March 31, 2018 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Software license | Goodwill | Brands | Agricultural Partnership Agreements | Sugarcane supply agreements | Contractual relationships with clients | Exclusive supply rights | Public concession rights of use | Technology | Other | Total |
| Cost: | | | | | | | | | | | |
| March 31, 2017 | 426,109 | 1,978,031 | 532,348 | 18,411 | 181,516 | 362,834 | 3,166,208 | 12,541 | 179,876 | 24,380 | 6,882,254 |
| Additions | 32,285 | - | - | - | - | - | 605,899 | - | 3,854 | - | 642,038 |
| Business combinations | - | 410,137 | - | - | - | - | - | - | - | - | 410,137 |
| Write-offs | (451) | - | - | - | - | - | (39,863) | - | - | - | (40,314) |
| Write-off for disposal of ownership interest (3) | (50) | (4,818) | - | - | - | - | - | - | - | - | (4,868) |
| Transfers (1) | 12,862 | - | - | - | - | - | - | - | - | - | 12,862 |
| Net formation of estimated loss and others (2) | - | - | - | - | - | - | (4,745) | - | - | 380 | (4,365) |
| March 31, 2018 | 470,755 | 2,383,350 | 532,348 | 18,411 | 181,516 | 362,834 | 3,727,499 | 12,541 | 183,730 | 24,760 | 7,897,744 |
| Amortization: | | | | | | | | | | | |
| March 31, 2017 | (288,083) | (431,380) | (317,947) | (12,251) | (79,690) | (94,886) | (1,411,382) | (10,787) | (35,976) | (20,377) | (2,702,759) |
| Amortization in the year | (39,861) | - | (52,504) | (3,224) | (11,508) | (18,748) | (396,951) | (1,408) | (17,988) | (828) | (543,020) |
| Write-offs | 451 | - | - | - | - | - | 37,409 | - | - | - | 37,860 |
| Write-off for disposal of ownership interest (3) | 50 | - | - | - | - | - | - | - | - | - | 50 |
| Transfers (1) | 26 | - | - | - | - | - | - | - | - | - | 26 |
| March 31, 2018 | (327,417) | (431,380) | (370,451) | (15,475) | (91,198) | (113,634) | (1,770,924) | (12,195) | (53,964) | (21,205) | (3,207,843) |
| Net residual value: | | | | | | | | | | | |
| March 31, 2018 | 143,338 | 1,951,970 | 161,897 | 2,936 | 90,318 | 249,200 | 1,956,575 | 346 | 129,766 | 3,555 | 4,689,901 |
| March 31, 2017 | 138,026 | 1,546,651 | 214,401 | 6,160 | 101,826 | 267,948 | 1,754,826 | 1,754 | 143,900 | 4,003 | 4,179,495 |

(1) On March 31, 2018, it includes a net transfer from Property, plant and equipment in the amount of R$ 12,888; (2) Refers to acquisition of Santa Cândida and Paraíso plants in the scope of Tonon's business combinations (Note 29); and (3) Refers to the sale of TEAS. (Note 13.c.ii).

## Goodwill

Refers to goodwill paid for expected future profitability, amortized on a straight-line basis up to March 31, 2009, when, as required by IAS 38 - Intangible Assets, it was no longer amortized. On March 31, 2019 and 2018, goodwill balance is as follows:

| | 2019 | 2018 |
|---|---|---|
| Upon acquisition of Costa Rica Canavieira Ltda. | 57,169 | 57,169 |
| Upon acquisition of Cerrado Açúcar e Álcool S.A. | 24,660 | 24,660 |
| Upon acquisition of RESA (former Cosan S.A. Açúcar e Álcool) | 558 | 558 |
| Upon acquisition of Univalem S.A. Açúcar e Álcool | 5,018 | 5,018 |
| Upon acquisition of Usina Açucareira Bom Retiro S.A. | 81,575 | 81,575 |
| Upon acquisition of Usina Benálcool | 149,247 | 149,247 |
| Upon acquisition of Usina Santa Luíza | 42,348 | 42,348 |
| Upon acquisition of Usina Zanin Açúcar e Álcool | 98,380 | 98,380 |
| Upon acquisition of Vertical | 4,313 | 4,313 |
| Upon acquisition of Corona Group | 380,003 | 380,003 |
| Upon acquisition of Destivale Group | 42,494 | 42,494 |
| Upon acquisition of Mundial Group | 87,435 | 87,435 |
| Upon establishment of FBA – Franco Brasileira S.A. Açúcar e Álcool | 4,407 | 4,407 |
| Upon merger of Curupay S.A. Participações | 109,841 | 109,841 |
| Upon capital payment at Mundial | 14,800 | 14,800 |
| In acquisition of Santa Cândida and Paraíso plants (Note 29.1.i) | 431,272 | 410,137 |
| Upon acquisition of RWXE (Note 29.1.ii) | 8,430 | - |
| Upon acquisition of Ryballa (Note 29.1.iii) | 5,400 | - |
| **Total RESA** | **1,547,350** | **1,512,385** |
| Upon acquisition of Latina | 70,432 | 70,432 |
| Upon acquisition of Raízen Argentina | 202,954 | - |
| Upon business combination of Cosan Combustíveis Lubrificantes S.A. | 348,103 | 348,103 |
| Other | 21,050 | 21,050 |
| **Total RCSA** | **642,539** | **439,585** |
| **Total combined consolidated** | **2,189,889** | **1,951,970** |

### Impairment analysis for cash generating units containing goodwill

The Group tests goodwill for impairment at least on an annual basis.

At RCSA, the Management, to determine recoverable value, uses the value in use method, which is based on projection of expected discounted cash flows of cash generating units ("CGU") determined by Management based on budgets that take into consideration assumptions related to CGU and its location. Business management of RCSA in Brazil considers them as an integrated distribution chain comprising a single cash-generating unit, using information available in the market and prior performances.

Discounted cash flows were prepared for a period of five years and taken to perpetuity without considering real growth rate, based on past performance and on expected market development. Cash

flows deriving from continued use of related assets are adjusted at specific risks and use pre-tax discount rate, calculated as 6.72% p.a. (6.37% in 2018).

Main assumptions used were: prices based on Market expectation, growth rates estimated for business line and extrapolations of growth rates based on Brazilian Gross Domestic Product (GDP).

In RESA, goodwill is allocated to CGU's identified according to operating region. As of March 31, 2019 and 2018, the regional branches are presented as follow:

| Operating region | 2019 | 2018 |
|---|---|---|
| Piracicaba | 144,144 | 138,744 |
| Jaú | 431,830 | 410,695 |
| Araraquara | 545,391 | 545,391 |
| Araçatuba | 303,401 | 303,401 |
| Assis | 109,841 | 109,841 |
| Independent and others | 12,743 | 4,313 |
| **Total RESA goodwill** | **1,547,350** | **1,512,385** |

RESA, to determine recoverable value, uses the value in use method, which is based on projection of expected discounted cash flows of cash generating units determined by Management based on budgets that take into consideration assumptions related to each CGU using information available in the market and prior performances. Discounted cash flows were prepared over a period of 20 years, according to the reasonable recovery time of the assets related to the activities of the RESA's economic industry. The cash flow and perpetuity were calculated disregarding real growth, based on past performance and on expected market development. The discount rate used was 6.72% per annum (6.37% in 2018).

Main assumptions used for RESA were: expected sales price of commodities in the long-term, productivity of agricultural areas, performance of Total Recoverable Sugar ("ATR"), and operating and administrative costs. Every cash flow was discounted at rates that reflect specific risks related to relevant assets in each cash-generating unit.

As a result of annual tests, no significant loss was recognized in the years ended March 31, 2019, 2018 and 2017. As aforementioned, determination of assets recoverability depends on the accomplishment of certain assumptions that are influenced by market, technological, and economic conditions prevailing at the time in which recoverability is tested and, therefore, it is not possible to determine if recoverability losses will occur in the future and, in case they occur, if they will be material.

## 16. Suppliers

| | 2019 | 2018 |
|---|---|---|
| Suppliers of materials and services | 2,329,360 | 1,103,382 |
| Suppliers of ethanol | 317,237 | 274,430 |
| Oil and oil by-product suppliers | 1,203,637 | 702,836 |
| Sugarcane suppliers | 231,161 | 196,393 |
| Suppliers - Agreements | 3,944,160 | 1,466,531 |
| | 8,025,555 | 3,743,572 |
| Domestic (domestic currency) | 3,869,922 | 1,986,185 |
| Abroad (foreign currency) (Note 26.d) | 4,155,633 | 1,757,387 |
| | 8,025,555 | 3,743,572 |

(i) The balance payable to suppliers of materials and services mostly consists of acquisitions of machinery and equipment for production facilities, distribution hubs and own reseller stations, hired services.

(ii) The balances payable to suppliers of oil, ethanol and oil by-products consist of purchases made by the Group.

(iii) Sugar cane harvesting, which usually takes place between April and December every year, has a direct impact on the balance of trade accounts payable to sugar cane suppliers and for cutting, loading and transportation services.

(iv) The Group has Agreements Related to Payments to financial institutions ("Agreements") that permit certain suppliers to advance their receivables referring to products and services rendered to the Group, directly with financial institutions. In said Agreements, supplier may choose to grant or not and the financial institutions decide whether to acquire or not said credit, without interference from the Group. Using the Agreements does not imply any change in notes issued by the supplier, and the same original value and payment term conditions are maintained, which, as average, is around 60 to 90 days, period that is consistent with the Group's recurring operating cycle.

## 17. Loans and financing

| Purpose | Final maturity | Index | Annual effective average interest rate (1) | | Total | |
|---|---|---|---|---|---|---|
| | | | 2019 | 2018 | 2019 | 2018 |
| Classification of debts per currency: | | | | | | |
| Denominated in Reais | | | | | 7,057,095 | 7,555,610 |
| Denominated in North-American Dollars (US$) and Euro (€) (Note 25.d) | | | | | 10,247,475 | 6,044,756 |
| | | | | | 17,304,570 | 13,600,366 |
| Type of debts (2): | | | | | | |
| National Bank for Social and Economic Development ("BNDES") | Mar/24 | URTJLP | 9.20% | 9.25% | 35,384 | 779,096 |
| BNDES | Agosto/30 | Pre-fixed | 3.92% | 3.94% | 565,927 | 742,614 |
| BNDES | Apr/24 | UMBND | 6.67% | 6.78% | 37,180 | 47,664 |
| PPE | Oct/25 | US$ + Libor | 3.92% | 3.41% | 4,867,197 | 1,505,428 |
| PPE | Sep/20 | Pre-fixed | 3.74% | 3.74% | 785,148 | 660,231 |
| Term Loan Agreement | Apr/24 | US$ + Libor | 3.86% | 3.49% | 1,765,263 | 1,500,431 |
| Debentures | - | CDI | - | 7.38% | - | 406,691 |
| Debentures | Oct/20 | IPCA + interest | 10.52% | 10.17% | 430,795 | 413,677 |
| Senior notes due 2027 | Jan/27 | US$ | 5.30% | 5.30% | 2,063,312 | 1,651,752 |
| Resolution 2471 (PESA) | Apr/23 | IGP-M | 9.42% | 8.67% | 594,381 | 975,224 |
| Resolution 2471 (PESA) | Oct/25 | Pre-fixed | 3.00% | 3.00% | 53 | 61 |
| Credit Notes | Oct/20 | CDI | 6.86% | 6.85% | 171,205 | 257,355 |
| Finame/Leasing | Jan/25 | Pre-fixed | 6.59% | 6.73% | 76,477 | 102,392 |
| Finame/Leasing | Mar/21 | URTJLP | 10.32% | 10.02% | 89 | 133 |
| Certificate of Agribusiness Receivables (CRA) | Mar/25 | CDI | 6.27% | 6.27% | 3,314,775 | 3,018,209 |
| CRA | Mar/26 | IPCA | 8.85% | 9.04% | 1,460,441 | 812,494 |
| *Schuldschein* | Oct/21 | Fixed - € | 2.88% | 2.88% | 292,621 | 273,159 |
| *Schuldschein* | Sep/22 | *Euribor* | 1.87% | 1.85% | 473,934 | 453,755 |
| Rural credit | Apr/20 | Pre-fixed | 6.05% | - | 370,388 | - |
| | | | | | 17,304,570 | 13,600,366 |
| Expenses incurred with the placement of the securities: | | | | | | |
| CRA | | | | | (21,313) | (51,115) |
| BNDES | | | | | (2,782) | (3,476) |
| Senior notes due 2027 | | | | | (1,419) | (2,035) |
| Debentures | | | | | (539) | (1,266) |
| Term Loan Agreement | | | | | (574) | (7,155) |
| PPE | | | | | (13,642) | (5,887) |
| *Schuldschein* | | | | | - | (11,083) |
| | | | | | (40,269) | (82,017) |
| | | | | | 17,264,301 | 13,518,349 |
| Current | | | | | (1,922,661) | (1,532,009) |
| Non-current | | | | | 15,341,640 | 11,986,340 |

(1) The annual effective interest rate is the contract rate plus, Libor *(*London InterBank Offered Rate*)*, Euribor (European Interbank Offered Rate), URTJLP, IGP-M, UMBND, IPCA and CDI, where applicable.

(2) Loans and financing are usually secured by Group's promissory notes. In some cases, they even have real guarantees such as: (i) credit receivables from energy sale agreements (BNDES); (ii) CTN (Note 10) and mortgage of land (PESA); (iii) fixed assets and, (iv) conditional sale of assets purchased under a FINAME/PESA financing agreement.

Installments falling due in the long term, less the amortizations of expenses incurred with the placement of securities, have the following schedule:

| Years (months): | 2019 |
|---|---|
| 13–24 | 3,197,546 |
| 25–36 | 1,618,905 |
| 37–48 | 2,042,695 |
| 49–60 | 2,546,012 |
| 61–72 | 2,775,156 |
| 73–84 | 1,107,968 |
| 85–96 | 2,045,511 |
| >97 | 7,847 |
| | 15,341,640 |

**(a) PESA - Resolution 2471**

In the period from 1998 to 2000, RESA renegotiated with several financial institutions its debts related to financing of agricultural costs, reducing their financial cost to annual interest rates lower than 9.42%, ensuring amortization of debt with granting and transfer of National Treasury Certificates, redeemable upon debt settlement, using incentive promoted by Brazilian Central Bank Resolution no. 2,471, of February 26, 1998. Said debt may be automatically settled through redemption of CTN's and compliance with contract provisions.

In the year ended March 31, 2019, RESA offset PESA contracts in the amount of R$ 380,984 through redemptions of the CTNs (Note 10).

**(b) *Senior notes due 2027***

On January 20, 2017, Raízen Fuels issued Senior Notes in the international market according to "Regulations S and 144A", in the amount of US$ 500,000 thousand, which are subject to interest of 5.30% p.a., payable on a half-annual basis in January and July every year and payment of principal in January 2027.

As provided for in Offering Memorandum of the issuance, net funds obtained in the ambit of the Offer were used for prepayment of existing debts.

**(c) BNDES**

Correspond to funds raised by the Group, destined to financing co-generation projects, investments in fuel terminals, greenfield, brownfields for renewal and implementation of new sugarcane fields (Prorenova) and construction of plant for E2G production.

On March 31, 2019, the Group and its subsidiaries had available credit facilities of financing from BNDES, unused, amounting to R$ 459,696 (R$ 124,935 in 2018). The use of these credit facilities depends on the fulfillment of certain contractual conditions.

**(d) Credit Notes**

Credit notes will be settled through exports to be made up to 2020 and are subject to average interest of 6.86% p.a. payable on a half-annual basis.

### (e) Finame/Leasing

Refer to financing operations of machinery and equipment, through several financial institutions and intended for fixed asset investments. These financings are subject to effective interest of 6.59% p.a., monthly paid and are guaranteed by lien of the financed assets.

### (f) *Term Loan Agreement* (Syndicated loan)

On March 30, 2015, Raízen Luxembourg S.A (subsequently merged by Raízen Fuels) contracted a loan from a syndicate comprised of several global commercial banks in the amount of US$ 450,000 thousand. Said contract is subject to USD exchange-rate change and quarterly Libor interest plus annual fixed interest of 1.2%, resulting in effective average interest rate of 4.02% p.a. with quarterly maturity and maturity dates on April 27, 2020.

On March 25, 2019, Raízen Fuels contracted a new loan from a syndicate in the amount of US$ 200,000. Said contract is subject to quarterly Libor interest plus annual fixed interest of 1.05%, resulting in effective average interest rate of 3.65% p.a. with semi-annual interest and final maturity dates on April 30, 2024. Through of the union the Term Loan Agreement, Raízen Fuels has obtained a revolving credit facility of USD 300,000, also due in April 2024. In the year ended on March 31, 2019, the mentioned credit facility had not been used.

### (g) PPE (export prepayment)

The Group entered into PPE contracts with several financial institutions for financing of future sugar export. As of March 31, 2019, CRA payable is as follows:

| | | | | | Amount | |
|---|---|---|---|---|---|---|
| Engagement | Company | Bank | Effective average annual interest rate | Maturity | R$ | US$ |
| 10/01/2015 | RCSA | MUFG BANK, LTD | 3.73% p.a. + US$ | Sep-20 | 404,000 | 100,000 |
| 10/23/2015 | RCSA | MUFG BANK, LTD | 3.74% p.a. + US$ | Sep-20 | 393,600 | 100,000 |
| 11/12/2015 | RCSA | Sumitomo Mitsui Bank | 4.38% p.a. + US$ | Nov-21 | 189,625 | 50,000 |
| 12/21/2015 | RCSA | Mizuho Bank. Ltd. | 4.26% p.a. + US$ | Dec-21 | 199,155 | 50,000 |
| 11/29/2017 | RCSA | The Bank of Nova Scotia | 3.90% p.a. + US$ | Nov-23 | 160,960 | 50,000 |
| 11/29/2017 | RCSA | The Bank of Nova Scotia | 4.00% p.a. + US$ | Nov-23 | 804,800 | 250,000 |
| 12/15/2015 | RESA | ING Bank S.A. | 4.70% p.a. + US$ | Dec-20 | 192,740 | 50,000 |
| 08/24/2018 | RESA | The Bank of Nova Scotia | 3.89% p.a. + US$ | Aug-24 | 613,378 | 150,000 |
| 08/29/2018 | RESA | BNP Paribas | 3.74% p.a. + US$ | Aug-25 | 515,675 | 125,000 |
| 09/04/2018 | RCSA | Credit Agricole Corporate | 3.77% p.a. + US$ | Aug-23 | 208,260 | 50,000 |
| 09/28/2018 | RCSA | Credit Agricole Corporate | 3.76% p.a. + US$ | Sep-24 | 1,201,170 | 300,000 |
| 10/05/2018 | RCSA | Mizuho Bank. Ltd. | 3.95% p.a. + US$ | Oct-25 | 193,590 | 50,000 |
| 11/16/2018 | RCSA | Santander | 3.64% p.a. + US$ | Nov-19 | 188,735 | 50,000 |
| 03/18/2019 | RCSA | Banco Galícia | 3.74% p.a. + US$ | Jun-19 | 96,110 | 25,000 |
| 03/18/2019 | RCSA | Banco Galícia | 3.74% p.a. + US$ | Jun-19 | 96,110 | 25,000 |

## (h) CRA

| Engagement | Issuer | Issue | Series | Maturity | Interest rate | Principal | Funding expenditures |
|---|---|---|---|---|---|---|---|
| Oct 2014 | Gaia Agro Securitizadora S.A. | 10th | 1st | Dec 2019 | 100% CDI | 573,013 | 10,696 |
| Oct 2014 | Gaia Agro Securitizadora S.A. (1) | 10th | 2nd | Dec-21 | 5.69% p.a. + IPCA | 101,987 | 1,887 |
| Jun 2015 | Gaia Agro Securitizadora S.A. | 14th | Single | Jun-21 | 100% CDI | 675,000 | 12,492 |
| May 2016 | RB Capital Companhia de Securitização | 1st | 3rd | May-22 | 98% CDI | 465,706 | 9,328 |
| May 2016 | RB Capital Companhia de Securitização (1) | 1st | 4th | May-23 | 6.17% p.a. + IPCA | 209,294 | 4,191 |
| May 2017 | RB Capital Companhia de Securitização | 1st | 6th | Apr-23 | 96% CDI | 738,814 | 13,273 |
| May 2017 | RB Capital Companhia de Securitização (1) | 1st | 7th | Apr-24 | 4.73% p.a. + IPCA | 230,877 | 4,192 |
| Dec 2017 | RB Capital Companhia de Securitização | 1st | 11th | Dec-23 | 97% CDI | 501,489 | 8,634 |
| Dec 2017 | RB Capital Companhia de Securitização (1) | 1st | 12th | Dec-24 | 4.76% p.a. + IPCA | 204,024 | 3,512 |
| Mar 2019 | RB Capital Companhia de Securitização | 6th | 1st | Mar-25 | 96% CDI | 300,000 | 6,585 |
| Mar 2019 | RB Capital Companhia de Securitização (1) | 6th | 2nd | Mar-26 | 4.04% p.a. + IPCA | 600,000 | 13,170 |

(1) Funding costs were partially offset in the result of the Group since certain debts with linked swaps had been stated at fair value through profit or loss.

Funds raised will be used in Group's activities, which are substantially related to agribusiness, in the ordinary course of its business, which is understood as transactions, investments and financing needs related to production, trading, processing or industrialization of agricultural products and inputs or of machinery and inputs used in agricultural activity.

## (i) Debentures

In October 2013, CVM granted to RESA, registration of its 1st Public Issuance of Simple Debentures through which 750,000 simple, unsecured debentures, not convertible into shares were issued in three series, with par value of R$1,000, totaling R$750,000.

The net proceeds from the issuance of debentures, in the amount of R$ 747,710, were fully used to: (i) strengthen RESA's cash in relation to 1st-series debentures and 2nd-series debentures; and (ii) pay part of RESA's investment costs related to 2013/2014 crop both in agricultural and industrial areas, pursuant to the terms of Law no. 12,431, in relation to 3rd series debentures.

| Series | Index | Annual interest rate | Effective average annual interest rate | Principal | Date of receipt | Maturity |
|---|---|---|---|---|---|---|
| 1st series | CDI | 0.89% | 7.34% | 105,975 | 10/25/2013 | 10/01/2018 (i) |
| 2nd | CDI | 0.94% | 7.39% | 340,000 | 10/28/2013 | 10/01/2018 (i) |
| 3rd | IPCA | 6.38% | 10.52% | 304,025 | 10/29/2013 | 10/01/2020 |

(i) As of October 11, 2018, RESA settled the 1st and 2nd series debentures executed into in October 2013 in the amount of R$ 433,272, and R$ 392,988 - principal and R$ 40,284 - interest.

## (j) Promissory Notes

| Engagement | Bank | Company | Effective average annual interest | Maturity | Amount R$ | Amount € |
|---|---|---|---|---|---|---|
| Oct 2014 | Citibank, N.A., London branch | Raízen Fuels | 2.88% p.a. + Euro € | Oct-21 | 201,043 | 66,000 |
| Jan-15 | Citibank, N.A., London branch | Raízen Fuels | 1.69% p.a. + Euro € | Jan-22 | 121,052 | 40,000 |
| Sep 2015 | Citibank, N.A., London branch | Raízen Fuels | 1.99% p.a. + Euro € | Sep-22 | 264,164 | 60,000 |

## (k) Rural credit

On April 18, 2018, RESA signed several agricultural credit agreements in the amount of R$ 350,000 with Banco Bradesco S.A. for use in soil preparation, planting and crop treatments. Annual interest of 6.05% is levied on the contracts, with final maturity in April 2020.

## (l) Working capital and Advances on exchange contracts ("ACC")

In October 2018, RCSA assumed, due to the acquisition of DS business of Shell Argentina, loans in the amount of R$ 812,294 (Note 24), equivalent to US$ 201,697 thousand. Such loan levied Libor interest (quarterly) plus annual interest of 1.15%, resulting in effective average interest rate of 3.75% p.a., and with final maturity on March 26, 2019.

During the year ended March 31, 2019, Raízen Argentina fully paid R$ 194,603 and R$ 580,733, equivalent to US$ 51,813 thousand and US$ 151,059 thousand related to said contracts.

In addition, in the year ended March 31, 2019, RESA made the full payment of the ACC contracts obtained between May and December 2018, in the amount of R$ 974,298, equivalent to US$ 247,000 thousand.

## (m) Covenants

The Group is not subject to comply with financial ratios, being subject only to certain covenants in loans and financing contracts, such as cross-default and negative pledge.

## (n) Fair value

On March 31, 2019 and 2018, book value and fair value of loans are as follows:

| | Book value | | Fair value (1) | | Financial results | | |
|---|---|---|---|---|---|---|---|
| Description | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2017 |
| PPE | 5,178,416 | 998,187 | 5,260,489 | 997,674 | (82,586) | 6,442 | (5,093) |
| Term Loan Agreement | 974,843 | 728,314 | 984,650 | 732,311 | (5,810) | (922) | (13,698) |
| *Senior notes due 2027* | 1,870,617 | 1,385,672 | 1,965,500 | 1,358,397 | (122,158) | 27,275 | (8,208) |
| *Schuldschein* | 731,338 | 682,305 | 766,967 | 726,914 | 8,980 | (13,019) | (63,151) |
| CRA | 1,448,712 | - | 1,460,441 | - | (11,729) | - | - |
| | **10,203,926** | **3,794,478** | **10,438,047** | **3,815,296** | **(213,303)** | **19,776** | **(90,150)** |

Other loans and financing do not have a value quoted, but the fair value is close to the book value due to their exposure to variable interest rates and insignificant changes in the Group's credit risk which may be accrued by comparing securities quoted and aforementioned.

## (o) Other information

***Committed Back-up Credit Facility Agreement***

On March 20, 2018, RCSA took out a credit facility with a syndicate comprised of several global commercial banks, in the total amount of US$ 850,000. Later, the tranche, in the amount of US$ 250,000, was canceled on August 23, 2018 and the amount of US$ 300,000 was withdrawn on September 28, 2018. As of march 31, 2019 the remaining amount of US$ 300,000 is still available for withdrawal.

***Revolving Credit Facility***

During the year ended March 31, 2019, RESA was a beneficiary of the Revolving Committed Back-up Credit Facility Agreement of a US$ 700,000 thousand granted by Shell Finance (Netherlands) B.V. and Cosan S.A. Indústria e Comércio ("Cosan S.A.") and it transferred to RCSA. Until the closing of the fiscal year ended on March 31, 2019 the mentioned credit facility had not been used.

## 18. Income tax and social contribution

### (a) Reconciliation of income tax and social contribution expenses:

| | 2,019 | 2,018 | 2,017 |
|---|---|---|---|
| **Income before income and social contribution taxes** | 2,777,134 | 3,154,016 | 4,207,289 |
| Income tax and social contribution at nominal rate (34%) | (944,225) | (1,072,365) | (1,430,477) |
| **Adjustments for calculation of effective rate:** | | | |
| JCP | 65,416 | 65,960 | 134,640 |
| Equity accounting results | 10,536 | (7,284) | (24,549) |
| Gifts, donations, class association | (9,643) | (8,011) | (8,019) |
| Special regime for the reintegration of tax amounts for exporting companies - ("Reintegra") | 4,481 | 32,812 | 9,243 |
| Investment grants - ICMS | 31,662 | 26,141 | 23,040 |
| Economic grants | 85,224 | - | - |
| Difference between deemed income and taxable income rates | 78,826 | 106,052 | 73,656 |
| Credits from indemnity suits | 75,267 | - | - |
| Exchange variation on investees abroad | 17,201 | 6,334 | (4,922) |
| Argentine tax evaluation option | 56,263 | - | - |
| Other | (13,027) | 7,329 | 82,403 |
| Income and social contribution tax expense | (542,019) | (843,032) | (1,145,185) |
| Effective rate | 19.5% | 26.9% | 26.0% |

## (b) Recoverable income and social contribution taxes (current and non-current):

| | 2019 | 2018 |
|---|---|---|
| IRPJ | 844,938 | 901,661 |
| CSLL | 283,069 | 286,685 |
| Argentinian tax credits on income | 332,732 | - |
| | 1,460,739 | 1,188,346 |
| Current assets | (1,018,941) | (887,416) |
| Non-current assets | 441,798 | 300,930 |

## (c) Income and social contribution taxes payable (Current):

| | 2019 | 2018 |
|---|---|---|
| IRPJ | 23,601 | 71,666 |
| CSLL | 4,820 | 25,531 |
| Argentinian tax debits on income | 71,161 | - |
| | 99,582 | 97,197 |

## (d) Deferred income and social contribution taxes in assets and liabilities:

| | | | | 2019 | 2018 |
|---|---|---|---|---|---|
| Assets (liabilities) | Base | IRPJ 25% | CSLL 9% | Total | Total |
| Tax losses | 2,018,648 | 504,662 | - | 504,662 | 276,257 |
| Negative basis for social contribution | 1,987,144 | - | 178,843 | 178,843 | 99,452 |
| Temporary differences: | | | | | |
| Exchange rate changes on the cash basis | 821,756 | 205,439 | 73,958 | 279,397 | 11,829 |
| Exclusive supply rights | - | - | - | - | 297,914 |
| Estimated loss for goodwill write-off | 166,656 | 41,664 | 14,999 | 56,663 | 56,663 |
| Remuneration and employee benefits | 302,297 | 75,574 | 27,207 | 102,781 | 114,990 |
| Provision for legal disputes | 738,924 | 184,731 | 66,503 | 251,234 | 203,555 |
| Provisions and other temporary differences | 902,203 | 225,551 | 81,198 | 306,749 | 401,096 |
| Total deferred tax assets | | 1,237,621 | 442,708 | 1,680,329 | 1,461,756 |
| Amortized tax goodwill | (1,823,244) | (455,811) | (164,091) | (619,902) | (597,576) |
| Refund of ICMS | (210,515) | (52,629) | (18,946) | (71,575) | (69,348) |
| Result unrealized with derivatives | (883,006) | (220,752) | (79,471) | (300,223) | (83,594) |
| Fixed assets' useful life review | (1,842,377) | (460,594) | (165,814) | (626,408) | (528,700) |
| Fixed assets' revaluation | (1,607,744) | (401,936) | (144,697) | (546,633) | - |
| Fair value of inventories | (37,765) | (9,441) | (3,399) | (12,840) | (5,721) |
| Fair value of fixed assets and intangibles and others | (1,054,578) | (263,645) | (94,912) | (358,557) | (163,273) |
| Contractual relationships with clients | (230,453) | (57,610) | (20,740) | (78,350) | (84,774) |
| Cost of capitalized loans | (278,853) | (69,713) | (25,097) | (94,810) | (99,543) |
| Biological assets | (100,894) | (25,224) | (9,080) | (34,304) | (123,098) |
| Total deferred tax liabilities | | (2,017,355) | (726,247) | (2,743,602) | (1,755,627) |
| Total deferred taxes | | (779,734) | (283,539) | (1,063,273) | (293,871) |
| Deferred taxes - Assets, net | | | | 507,655 | 158,295 |
| Deferred taxes - Liabilities, net | | | | (1,570,928) | (452,166) |
| Total deferred taxes | | | | (1,063,273) | (293,871) |

## (d.1) Roll-forward in deferred tax liabilities, net:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| March 31, 2018 | (293,871) | (337,450) | 89,065 |
| Initial adoption of IFRS 9 (Note 2.4) | 1,175 | - | - |
| April 1, 2018 | (292,696) | | |
| Credit (debit) in the income (loss) | 6,226 | 119,925 | (173,087) |
| Deferred taxes on other comprehensive income | 161,916 | (20,482) | (253,285) |
| Reversal of deferred taxes (1) | - | (35,530) | - |
| Business combinations (Note 29) | (967,418) | - | - |
| Effect of foreign currency translation | 26,547 | - | - |
| Other | 2,152 | (20,334) | (143) |
| March 31, 2019 | (1,063,273) | (293,871) | (337,450) |

(1) As of November 24, 2017, subsidiary of RESA, Raízen Centroeste sold tax loss to Cosan in the amount of R$ 35,530 to be used in REFIS, Law 13043/2014. As contra entry, RESA received in current currency the amount of R$ 26,627, with negative goodwill of 25%, recognized in financial income of that year.

## (d.2) Realization of deferred tax assets

When evaluating deferred taxes' recovery capacity, Management considers future taxable income projections and movements in temporary differences. Deferred tax assets are recognized only when it is probable that they will be used in the future. Possibility of using tax losses and negative bases' balances does not expire, but the use of these losses accumulated in prior years is limited to 30% of taxable annual income.

On March 31, 2019, the Group expects to realize deferred tax assets as follows, including tax loss assets in certain companies, negative basis and temporary differences:

| **Years:** | |
|---|---|
| 2020 | 307,894 |
| 2021 | 314,565 |
| 2022 | 175,687 |
| 2023 | 162,443 |
| 2024 | 263,101 |
| >2025 | 456,639 |
| **Total** | 1,680,329 |

On March 31, 2019, presented tax losses and social contribution negative bases' balance of certain Group's companies for which no deferred tax assets were established, as their recovery is not considered as probable total R$ 12,169 (R$ 11,688 in 2018).

## 19. Provision for legal disputes and judicial deposits

**Breakdown of legal disputes considered as probable loss**

As of March 31, 2019 and 2018, balances of said claims to be reimbursed and claims that are not reimbursable to shareholders in the scope of Group's formation (Note 11.a) are as follows:

| | 2019 | 2018 |
|---|---|---|
| Tax | 876,513 | 754,435 |
| Civil | 192,384 | 162,264 |
| Labor | 308,843 | 284,916 |
| Environmental | 100,182 | 58,553 |
| | 1,477,922 | 1,260,168 |
| Non-reimbursable legal disputes | 352,402 | 204,345 |
| Reimbursable legal disputes | 1,125,520 | 1,055,823 |
| | 1,477,922 | 1,260,168 |

When the Group was setup it was agreed that Cosan and Shell would reimburse the Group for legal disputes that were ongoing before its formation, thus, the Group should reimburse Cosan and Shell regarding the judicial deposits made on the date before its formation.

As of March 31, 2019 and 2018, balances of refundable deposits and deposits that are not refundable to shareholders, in the scope of Group's formation process (Note 11.a) are as follow:

| | 2019 | 2018 |
|---|---|---|
| Tax | 310,622 | 291,850 |
| Civil | 36,194 | 29,431 |
| Labor | 102,301 | 85,617 |
| | 449,117 | 406,898 |
| Own judicial deposits | 191,688 | 148,058 |
| Reimbursable judicial deposits | 257,429 | 258,840 |
| | 449,117 | 406,898 |

## (i) Non-reimbursable legal disputes

| | Tax | Civil | Labor | Environmental | Total |
|---|---|---|---|---|---|
| March 31, 2018 | 36,828 | 5,969 | 157,619 | 3,929 | 204,345 |
| Provisioned for the year (a) | 8,610 | 50,279 | 127,609 | 25,037 | 211,535 |
| Write-offs/reversals (a) / (b) | (2,638) | (2,573) | (75,813) | (5,737) | (86,761) |
| Payments | (1,925) | (330) | (47,221) | (1,148) | (50,624) |
| Inflation adjustment (b) | 288 | 4,230 | 41,348 | 17 | 45,883 |
| Business combinations (Note 29) | - | - | - | 26,293 | 26,293 |
| Effect of foreign currency translation | 65 | 1,732 | 194 | (260) | 1,731 |
| March 31, 2019 | 41,228 | 59,307 | 203,736 | 48,131 | 352,402 |

(a) Recognized in income (loss) for the year under Sales taxes and General and administrative expenses captions and Other operating expenses, except for reversals of inflation adjustment, recognized in financial income (loss).

(b) Calculated in income (loss) for the year in the heading "Financial income (loss)".

## (ii) Reimbursable legal disputes

| | Tax | Civil | Labor | Environmental | Total |
|---|---|---|---|---|---|
| March 31, 2018 | 717,607 | 156,295 | 127,297 | 54,624 | 1,055,823 |
| Provisioned for the year | 41,011 | 4,165 | 27,651 | 20,421 | 93,248 |
| Write-offs/reversals | (16,477) | (28,164) | (42,880) | (14,675) | (102,196) |
| Payments | (68) | (21,254) | (26,838) | (9,416) | (57,576) |
| Inflation adjustment | 93,212 | 22,035 | 19,877 | 1,097 | 136,221 |
| March 31, 2019 | 835,285 | 133,077 | 105,107 | 52,051 | 1,125,520 |

## (iii) Total legal disputes

| | Tax | Civil | Labor | Environmental | Total |
|---|---|---|---|---|---|
| March 31, 2018 | 754,435 | 162,264 | 284,916 | 58,553 | 1,260,168 |
| Provisioned for the year | 49,621 | 54,444 | 155,260 | 45,458 | 304,783 |
| Write-offs/reversals | (19,115) | (30,737) | (118,693) | (20,412) | (188,957) |
| Payments | (1,993) | (21,584) | (74,059) | (10,564) | (108,200) |
| Inflation adjustment | 93,500 | 26,265 | 61,225 | 1,114 | 182,104 |
| Business combinations (Note 29) | - | - | - | 26,293 | 26,293 |
| Effect of foreign currency translation | 65 | 1,732 | 194 | (260) | 1,731 |
| March 31, 2019 | 876,513 | 192,384 | 308,843 | 100,182 | 1,477,922 |

## (a) Tax

| | 2019 | 2018 |
|---|---|---|
| Social security charges ("INSS") (1) | 4,575 | 1,638 |
| Value-Added Tax on Sales and Services ("ICMS") (2) | 507,560 | 495,112 |
| Excise tax ("IPI") (3) | 142,194 | 82,514 |
| Social Integration Program ("PIS") and Contribution for the Financing of Social Security ("COFINS") (4) | 57,442 | 19,338 |
| Lawyers' fees (5) | 74,411 | 68,649 |
| Income tax and Social Contribution (IRPJ and CSLL) (6) | 77,107 | 74,838 |
| CIDE and others (7) | 13,224 | 12,346 |
| | 876,513 | 754,435 |
| Non-reimbursable legal disputes | 41,228 | 36,828 |
| Reimbursable legal disputes | 835,285 | 717,607 |
| | 876,513 | 754,435 |

## (1) INSS

The amount recorded as provision for INSS corresponds to amounts related to social security contributions levied on billing, pursuant to the terms of Article 22-A of Law no. 8.212/91, whose constitutionality is being challenged in a lawsuit. RESA made judicial deposits related to said lawsuit in the amount of R$ 338,392 (R$ 287,157 in 2018). Accordingly, both balances are presented net in these financial statements.

## (2) ICMS

Amount recorded as provision for ICMS credits is represented by: (a) tax assessments received that, despite being defended, are considered as probable loss by the Group's legal advisors; (b) using finance credits and charges in matters on which understanding of the Group's management and tax advisors differ from tax authorities' interpretations, (c) questioning of the breach of accessory obligation (CAT Ordinance) in the period from January 2001 to December 2004, related to the methodology for calculating ICMS credits in the state of São Paulo, in the restated amount of R$ 115,514 (R$ 112,866 in 2018) and the assessment arising from FOB fuel sales transactions by Shell to some customers (in SP) which were later on declared improper, in the period from October 2003 to May 2004, in relation to which the ruling of the motion for clarification of judgment is currently being awaited, in the restated amount of R$ 69,689 (R$ 68,514 in 2018); and (d) ICMS credit on interstate operations after Law 87/96 of the States of Minas Gerais and Amazonas, comprising the period from 1996 to 2012, and referring to fuels purchased from Petrobras and resold by means of interstate transactions (exempt from ICMS tax), for which a provision was formed in the restated amount of R$ 267,792 (R$ 262,752 in 2018), since Shell obtained an unfavorable decision in the court of last resort.

**(3) IPI**

Amount recorded as a provision for IPI credits is represented by: (a) tax assessment received referring to imported merchandise; (b) offset of credits deriving from inputs used in exempt shipments; (c) "IPI Seletividade" for the period from November 1992 to December 1995, a matter recently judged by the Federal Supreme Court ("STF") using the General Repercussion systematic process (RE n° 592.145, theme 080) in an unfavorable way to the corporate taxpayer; and (d) tax assessment notice recognized in this year-end in the amount of R$ 54,223, previously classified with likelihood of possible loss.

**(4) PIS and COFINS**

Amount recorded as a provision for PIS and COFINS credits is as follows: (a) contribution of period from 1997 to 1999 referring to merger of company; and (b) IPI credits used to offset PIS and COFINS deriving from inputs used in exempt shipments.

**(5) Lawyers' fees**

The Group contracts law firms to defend it in civil, tax and labor lawsuits. Some contracts provide for attorneys' remuneration as a percentage on successful lawsuit value. The Group records a provision for amounts payable to law firms referring to lawsuits whose likelihood of loss is possible or remote. Amount currently recorded as a provision refers mainly to lawsuits whose financial responsibility is borne by Shell, as they were originated in a period prior to the Group's establishment and, therefore, are reimbursable.

**(6) Income tax and Social Contribution taxes (IRPJ and CSLL)**

These refer to decisions related to different offsets carried out by Perdcomp related to IPI credits used to offset IRPJ and CSLL. Said offset stopped being homologated because a tax assessment notice was issued to stop recognition of credits based on the fact that, in the period from January 2008 to September 2010, (a) RCSA did not segregate and pay IPI owed at the rate of 8% on certain transactions classified in TIPI (table of IPI levy), and (b) RCSA did not reverse IPI credits referring to inputs used for industrialization of certain products classified in TIPI, considering that shipment of such products are not taxed.

In first item, controversy occurs due to divergence about classification of products as oil by-products and, in the second item, it occurs because authorities do not recognize the right to maintain IPI credits on shipment transactions that are exempt or not taxed.

**(7) CIDE**

RCSA recorded a provision for CIDE on services provided in oil and natural gas exploration and production activities carried out before the Raízen's establishment, whose balance on March 31, 2019 totals R$ 378,171 (R$ 370,468 in 2018). Owed amounts were deposited in escrow, at the same amount, reason why any reimbursement will be made by RCSA. Accordingly, both balances are presented net in these financial statements.

## (b) Civil, labor and environmental

The Group is party to various civil actions consisting of (i) damages for material losses and pain and suffering; (ii) disputes on contracts; (iii) class action to stop the burning of sugar cane straw; (iv) enforcements of environmental decisions; (v) reparation of environmental damages causes by fuel leakages and, (vi) contractual, real estate and credit recovery, including discussions about contract breaches, possession of the Group's properties and recovery of amount not paid by clients.

The Group is also party to several labor complaints filed my former employees and employees of service providers who demand, among other things, payment for overtime work, night shift premium and hazardous duty premium, readmission into the job, return of payroll discounts, such as trade union optional and mandatory contributions, among others.

The main environmental actions are related to environmental remediation to be carried out at gas stations, distribution hubs, airports and client distribution centers and they include the removal of contaminated material, treatment of the land, laboratory tests and post-remediation monitoring.

**Legal disputes are considered as possible loss and, thus, no provision for legal disputes has been recognized in the combined consolidated financial statements.**

## (a) Tax

| | 2019 | 2018 |
|---|---|---|
| ICMS (1) | 4,468,161 | 4,238,197 |
| INSS (2) | 237,026 | 491,903 |
| IPI (3) | 330,217 | 459,744 |
| Income tax and Social Contribution (IRPJ and CSLL) (4) | 2,905,491 | 2,826,265 |
| PIS, COFINS (4) | 3,692,983 | 3,186,926 |
| Offsets with IPI credit - IN 67/98 (5) | 135,215 | 132,869 |
| MP 470 Debt in installments (6) | 186,431 | 181,541 |
| Other (7) | 812,497 | 848,810 |
| | 12,768,021 | 12,366,255 |
| Non-reimbursable legal disputes | 4,183,433 | 3,614,353 |
| Reimbursable legal disputes | 8,584,588 | 8,751,902 |
| | 12,768,021 | 12,366,255 |

**(1) ICMS**

Refers substantially to: (i) part related to fine of tax assessment issued due to alleged lack of ICMS payment and non-compliance with accessory obligation, in agricultural partnership for on-demand industrialization in periods from May 2005 to March 2006 and from May 2006 to March 2007; (ii) ICMS levied on crystal sugar for export that, as understood by tax agent, is classified as semi-finished product and, in accordance with ICMS regulation, would be subject to taxation; (iii) ICMS levied on alleged divergences on sugar and ethanol inventories deriving from comparison between magnetic tax files and inventory registration books; (iv) tax assessment related to charge of ICMS rate difference deriving from ethanol sales to companies located in other states of the Federation, which had their state registrations canceled; (v) requirement of ICMS deriving from disallowances of diesel credits used in agricultural-industrial production process, the defense was presented because it is essential to the activities of the Company based on article 155, §2, I of Federal Constitution and Complementary Law 87/96; (vi) lack of reversal of ICMS credits; (vii) lack of full reversal of ICMS-ST credits for ICMS tax substitution ("ICMS-ST"); (viii) non-compliance with ancillary obligations; (ix) ICMS-ST requirement in inter-state sales to industrial clients; (x) undue use of credits from Controls for ICMS tax Credits on Fixed Assets ("CIAP"); (xi) inventory difference; (xii) alleged undue use of untimely credits related to ICMS-ST on diesel in the capacity of final consumer; (xiii) alleged undue use of deemed credit; and (xiv) alleged undue use of tax credits related to freight (transportation services) since the subsequent operation is exempt or not taxed.

**(2) INSS**

Possible legal disputes related to INSS involve mainly: (i) review of contingencies linked to IN MPS/SRP No. 03/2005, regarding the period from 2005 to 2011, which are currently assessed as a low probability of having an unfavorable result due to probable recognition of cadence. Regulatory Instruction no. 03 of 2005, which restricted constitutional immunity of social security contributions on revenues from export and started to tax exports carried out through trading companies; (ii) requirement of contribution to SENAR in direct and indirect export transactions for which Federal Revenue Service ("RFB") understands that constitutional immunity does not apply; and, (iii) mandatory payment of social security contribution on resale of merchandise in domestic market and to third parties that are not included in calculation basis of social contribution levied only on gross revenue from establishment production and not from acquired goods.

**(3) IPI**

SRF Regulatory Instruction no. 67/98 supported procedure adopted by industrial establishments that made shipments without recording and paying IPI related to transactions with cane sugars: demerara, high-quality crystal, special crystal, extra special crystal, and granulated refined sugar carried out in the period from July 6, 1995 to November 16, 1997, and with refined amorphous sugar in the period from January 14, 1992 to November 16, 1997. This standard was carried into effect in the respective proceedings brought by Brazilian Federal Revenue Service, whose likelihood of loss is classified as possible, according to the assessment of the Group's legal advisors.

During the year ended March 31, 2019, RESA reviewed tax assessment notices in the amount of R$ 95,698. Of this amount, R$ 54,959 began to be classified with chance of probable loss, and R$ 40,739 were reversed due to the conclusion of the suits.

### (4) IRPJ, CSLL, PIS, COFINS and IOF

Main lawsuits refer to: (a) assessment notices related to the offset of credits from the Semi-Annual PIS regime and offsets of federal taxes not ratified by the Federal Revenue Service, for which the Group has been questioning these collections at the proper levels; (b) assessment notices for the collection of IRPJ and CSLL for the years 2011, 2012 and 2013, derived from the exclusion of income from amortization of goodwill on investments evaluated under the equity. This goodwill was contributed by Cosan Lubrificantes e Especialidades S.A., formerly Cosan Combustíveis e Lubrificantes S.A., to RCSA, whose assessment was filed against it, relating to years 2009 to 2011. The Group presented a challenge requesting full cancellation of tax assessment notice issued; (c) disallowances of PIS and CONFINS credits, in the non-cumulative system, provided for in the Laws No. 10.637/2002 and 10.833/2003. These rejections arise, in summary, due to the restrictive interpretation of the Federal Revenue Service in regard to the concept of "inputs" as well as differences regarding the interpretation of the referred to laws. Such questions are at the administrative level; (d) to requests of reimbursement of PIS and COFINS linked to offset processes. After presentation of Terms of Disagreement in March 2013, DRJ (Judgment Office) determined write-off of processes in progress, so that PIS and COFINS credit rights referring to certain quarters of years 2008 and 2009 are recalculated; (e) tax assessment notices related to unconstitutionality of expansion of PIS/COFINS calculation basis brought by Law no. 9.718/98, in which STF considered as unconstitutional; (f) assessment notices filed by the RFB for the collection of IRPJ and CSLL from prior years relating to offsets of tax losses, deductibility of amortization expenses of goodwill and taxation of differences of revaluations of assets comprising fixed assets; (g) lawsuit in 2018, related to the disallowance of goodwill based on expected future profitability, deducted from the corporate income tax (IRPJ) and social contribution (CSLL) tax base for the calendar years 2013 to 2016, in the amount of R$ 336,361. The defense was presented considering that the amortization of goodwill occurred under the terms of the applicable legislation (article 386 of RIR/99 and articles 7 and 8 of Law No. 9.532/97); and (h) difference of PIS and COFINS determined in view of the offset of CIDE. For inspectors, this deduction could only be made if it had been paid.

### (5) Offsets with IPI credit – Normative Instruction No. 67/98

SRF Regulatory Instruction No. 67/98 brought with it the possibility of a refund of IPI collected in the period from January 14, 1992, to November 16, 1997, on amorphous refined sugar. Accordingly, RESA, for the periods in which payment was made, it pleaded to offset amounts against other taxes due. However, the Brazilian Federal Revenue Service dismissed requests for restitution as well as an offset. Thus, RESA administratively appealed against the dismissal.

After notification of payment of debts object to an offset in view of the changes introduced by IN SRF Number 210/02, RESA filed a writ of mandamus with an injunction request to suspend the enforceability of offset taxes, with the aim of impeding the Public Administration from executing these debts. The injunction was granted by the competent court.

### (6) MP 470 - Installment payment of debts

Federal Revenue Service partially rejected requests for payment of federal tax debts in installments made by RESA, with the argument that offered tax loss is not sufficient to settle respective debts. RESA and its legal advisors consider that the losses indicated existed and were available for such use.

**(7) ISS**

Refers to the charging of ISS tax by the Municipality of Anchieta, state of Espírito Santo on services rendered in maritime waters (in block BC-10) because it believes that the services provided therein would have been within the territory of this municipality, and therefore the ISS should have been paid to the municipality of that state.

**(b) Civil, labor and environmental**

| | 2019 | 2018 |
|---|---|---|
| Civil | 1,287,709 | 1,205,073 |
| Labor | 399,961 | 496,119 |
| Environmental | 25,525 | 24,565 |
| | 1,713,195 | 1,725,757 |
| Non-reimbursable legal disputes | 543,763 | 545,852 |
| Reimbursable legal disputes | 1,169,432 | 1,179,905 |
| | 1,713,195 | 1,725,757 |

## 20. Commitments

### Purchasing

RESA and its subsidiaries have various purchase commitments for sugarcane with third parties in order to guarantee part of its production in subsequent harvests. The amount of sugarcane to be acquired is calculated based on the estimated amount per milled area. The amount to be paid by the Group is determined at the end of each harvest, according to prices published by the Conselho dos Produtores de Cana de Açúcar, Açúcar e Etanol do Estado de São Paulo - CONSECANA.

RCSA has fuel purchase agreements with third parties in order to secure part of its trading future, also has contracts for rail transportation, road, and ferry services, with the purpose of transporting fuel from the supply bases to the reseller stations, whose amount to be paid is determined according to the price agreed in the contract.

The Group has stockpiling service contracts for fuels with third parties, in accordance with logistics and storage objectives of fuels in certain regions.

RESA has exclusive contracts with Rumo Group, related to transportation services and sugar export services.

The commitments of purchase of electric energy are mainly due to the operating activities of WX Energy which is a power trading company.

As of March 31, 2019, the volumes related to the purchase commitments and service agreements per crop are as follows:

| Years | Cane (in tons) | Fuel (in cubic meters) | Oil and oil by-products (in cubic meters) | Railroad transportation (in cubic meters) | Storage (in cubic meters) | Electric power (in MWh) | Transportation and sugar lifting services (in tons) |
|---|---|---|---|---|---|---|---|
| 2020 | 32,377,079 | 3,447,610 | 155,776 | 4,360,217 | 6,939,344 | 3,476,342 | 2,650,000 |
| 2021 | 29,282,486 | - | - | 3,460,778 | 5,297,044 | 462,660 | 3,000,000 |
| 2022 | 24,973,570 | - | - | 2,177,354 | 4,228,044 | 441,400 | 3,300,000 |
| 2023 | 21,929,773 | - | - | 2,199,416 | 3,921,696 | 441,400 | 3,300,000 |
| > 2024 | 60,350,937 | - | - | 7,837,647 | 1,372,000 | 197,970 | 8,700,000 |
| Total contracted volume | 168,913,845 | 3,447,610 | 155,776 | 20,035,412 | 21,758,128 | 5,019,772 | 20,950,000 |
| Total estimated payments (nominal value) | 12,793,197 | 10,345,997 | 265,989 | 1,183,638 | 761,691 | 1,188,538 | 3,037,750 |

### Contracts of sharecropping and land leasing

RESA has sharecropping and land leasing contracts for sugarcane plantations, which usually shall end in 20 years.

Payments for these obligations are calculated by means of the accumulated prince of ATR for 2018/2019 crop in the amount of R$ 0.5826/kg, disclosed by CONSECANA and the volume of sugarcane per hectare as defined in the contract.

The expected, non-cancellable, minimum payments by RESA on these contracts, are as follows:

| Years: | |
|---|---|
| Up to 1 | 898,260 |
| 1–5 | 2,932,698 |
| >5 | 1,034,867 |
| Total | 4,865,825 |

## 21. Equity

In the context of the combined consolidated financial statements, the captions comprising the equity (capital, capital and profit reserves, equity valuation adjustments, among other) usually are not relevant. Therefore, the statements of changes in equity of these combined consolidated financial statements include only two items named equity attributed to controlling shareholders and non-controlling shareholders' interest.

The information disclosed in this note derives from the individual and consolidated financial statements of RESA and RCSA. Accordingly, as presented in Note 1.d, these combined consolidated financial statements of the Group do not represent the individual and consolidated annual financial statements of an entity and its subsidiaries.

## (a) Capital

### (a.1) RESA

As of March 31, 2019 and 2018, capital totaled R$ 6,516,354. That caption does not include the balance of redeemable preferred shares - liability financial instruments in the amount of R$ 5,161 (R$ 10,828 in 2018) totaling R$ 6,511,193 (R$ 6,505,526 in 2018).

Capital is fully subscribed for and paid in and is divided as follows:

| | Shareholders (shares in units) | | | |
|---|---|---|---|---|
| | Shell | CIP Cosan Investimentos e Participações S.A ("CIP") | Cosan S.A. | Total |
| Common | 3,621,641,599 | 3,621,641,599 | - | 7,243,283,198 |
| Class-A preferred shares | - | - | 1 | 1 |
| Class-B preferred shares | - | - | 133,242,457 | 133,242,457 |
| Class-D preferred shares | 100,000 | - | - | 100,000 |
| Total as of March 31, 2019 and 2018 | 3,621,741,599 | 3,621,641,599 | 133,242,458 | 7,376,625,656 |

**Redeemable preferred shares**

Tax benefits resulting from NOL and GW recognized before the Raízen formation (Note 9.a.5), should be refund to the respective shareholders as RESA use them as a decrease in balances of the taxes payable.

For the realization of these refunds, Class B preferred shares to Cosan and C (fully redeemed in the year ended March 31, 2018) and D classes to Shell with the purpose of compensating them through the payment of dividends in the amount of the tax benefit used by RESA.

In March 2019, RESA proposed the allocation of R$ 5,667 of dividends to the holders of Class B preferred shares (Note 11.a.3).

As of March 31, 2019, the balance of preferred shares (Class B) recognized in equity under Capital caption, totaling R$ 5,161 belongs to Cosan (R$ 10,828 in 2018).

### (a.2) RCSA

As of March 31, 2019 and 2018, RCSA's capital totals R$ 1,921,843.

Capital is fully subscribed for and paid in and is divided as follows:

| | Shareholders (shares in units) | | |
|---|---|---|---|
| | Shell | CIP | Total |
| Common | 830,709,236 | 830,709,236 | 1,661,418,472 |
| Class-A preferred shares | 1 | - | 1 |
| Class-D preferred shares | 100,000 | - | 100,000 |
| Class-E preferred shares | 163,329,417 | - | 163,329,417 |
| Total as of March 31, 2019 and 2018 | 994,138,654 | 830,709,236 | 1,824,847,890 |

(1) In June 2014, Cosan S.A. contributed with all common shares issued by RCSA to CIP.

Special Shareholders' Meeting ("AGE") held on July 26, 2017, the RCSA's shareholders approved the capital increase in the amount of R$ 78,123 through issuance of 49,935,458 new class C preferred shares, fully subscribed by Shell with RCSA's tax credits on a date prior to the formation of Raízen. Such operation did not generate an impact on equity, since said amount was considered a debt instrument.

At Annual and Special Shareholders' Meeting held on July 31, 2017, the Company's shareholders approved remuneration to Shell through preferred dividends and redemption of class C and E preferred shares in the amounts of R$ 28,533, R$ 86,618 and R$ 15,872, respectively. As a result of these redemptions, 58,372,470 class C preferred shares and 10,708,835 class E preferred shares were canceled, and the balance of the capital reserve account was partially used.

## (b) Capital reserves

### Capital reserve

Corresponds mainly to the goodwill reserve arising from the portion of the issue price of shares without par value that exceeded the amount allocated to the formation of the capital. That reserve may only be used to increase capital, absorb losses exceeding retained earnings and income reserves, redeem, reimburse or purchase shares or to pay cumulative dividends to preferred shares.

### Goodwill special reserve

Derives from downstream mergers in the RESA whose goodwill became deductible for income and social contribution tax purposes. Therefore, RESA recognized goodwill special reserve in equity as an effect of downstream mergers and as an offsetting entry to deferred tax assets that is equivalent to the 34% tax benefit resulting from the amortization of this goodwill.

## (c) Dividends and interest on shareholders` equity

Group's dividends are not distributed by the calculations of the combined consolidated financial statements, but individually by RESA and RCSA.

Bylaws of RESA and RCSA assure shareholders a minimum mandatory dividend of 1% of net income at the end of fiscal year, adjusted pursuant to Corporation Law.

The individual calculations for the years ended March 31, 2019, 2018 and 2017, were determined as follows:

- **RESA**

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Net income for the year | 468,101 | 642,794 | 1,404,579 |
| (-) Formation of legal reserve - 5% | (23,397) | (32,140) | (61,588) |
| (-) Effect of subsidiary tax incentives | (97,716) | (74,733) | (65,316) |
| Dividends to holders of Class B preferred shares | (5,667) | (10,355) | (28,422) |
| Dividends to holders of Class D preferred shares | (1,497) | (1,486) | (729) |
| Dividend distribution calculation basis | 339,824 | 524,080 | 1,248,524 |
| Minimum mandatory dividends for common shares - 1% | - | (5,241) | (12,485) |
| Redemption of preferred shares - Class C | - | - | (3,531) |
| Dividends to be paid to non-controlling shareholders | (2,847) | - | - |
| Total provisioned dividends in RESAS | (10,011) | (17,082) | (45,167) |

- **RCSA**

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Net income for the year | 1,654,266 | 1,607,085 | 1,598,815 |
| (-) Initial adoption of IFRS 9 | (2,575) | - | - |
| Dividends to holders of Class D preferred shares | (1,498) | (1,486) | (729) |
| Economic grants | (41,568) | - | - |
| Ordinary dividend distribution calculation basis | 1,608,625 | 1,605,599 | 1,598,086 |
| Common shares | | | |
| Minimum mandatory dividend – 1% (1) | (16,086) | (16,056) | (15,981) |
| (-) JCP | (192,400) | (194,000) | (196,000) |
| (-) Dividends paid in advance | (1,136,000) | (1,258,500) | (1,235,000) |
| Total provisioned dividends in the Parent Company | (1,498) | (1,486) | (729) |
| Dividends and interest on shareholders` equity - remaining | (13,600) | - | - |
| Dividends payable to non-controlling shareholders | (12,443) | (4,849) | (15,445) |
| Total provisioned dividends in RCSA | (27,541) | (6,335) | (16,174) |

(1) During years ended March 31, 2019, 2018 and 2017, interest on own capital and prepaid dividends totaled R$ 1,328,400, R$ 1,452,500 and R$ 1,431,000, respectively. Accordingly, there is no provision for minimum mandatory and ordinary dividends because prepaid values were higher than those calculated at percentage defined in the Bylaws.

As of March 31, 2019, 2018 and 2017, the roll-forward of dividends and interest on shareholders` equity is as follows:

| | | | | | | | March 31, 2019 | |
|---|---|---|---|---|---|---|---|---|
| **Company** | **Dividend** | **Year** | **Approval** | **Nature and type of share** | **Impact in equity** | **No impact in equity** | **Amount paid or payable** | **Payment date** |
| RCSA | Profit | 2018 | 06/20/2018 | Common | 153,000 | - | 153,000 | 06/28/2018 |
| RCSA | Interim | 2019 | 06/20/2018 | Common | 107,000 | - | 107,000 | 06/28/2018 |
| RCSA | JCP | 2019 | 06/20/2018 | Common | 48,000 | - | 48,000 | 06/28/2018 |
| RESA | Profit | 2018 | 06/20/2018 | Common | 330,200 | | 330,200 | 06/28/2018 |
| Sabbá | Interim | 2019 | 06/18/2018 | Common | 7,500 | - | 7,500 | 06/26/2018 |
| Mime | Minimum | 2018 | 07/23/2018 | Common | 16,305 | 4,001 | 20,306 | 07/24/2018 |
| RESA and | Exclusive | 2018 | - | Preferred D | - | - | 2,972 | 08/28/2018 |
| RESA | Exclusive | 2018 | - | Preferred B | - | 10,355 | 10,355 | 08/28/2018 |
| RESA | Minimum | 2018 | - | Common | - | - | 5,241 | 08/28/2018 |
| Mime Conveniências | Minimum compulsory | 2018 | 08/14/2018 | Common | 1,520 | 16 | 1,536 | 08/30/2018 |
| Sabbá Conveniências | Minimum compulsory | 2018 | 08/14/2018 | Common | 587 | 6 | 593 | 08/30/2018 |
| RCSA | JCP | 2019 | 09/21/2018 | Common | 48,000 | - | 48,000 | 09/26/2018 |
| RCSA | Interim | 2019 | 09/21/2018 | Common | 157,000 | - | 157,000 | 09/26/2018 |
| RESA | Profit | 2019 | 09/21/2018 | Common | 390,364 | - | 390,364 | 09/26/2018 |
| RESA | Interim | 2019 | 09/21/2018 | Common | 42,836 | - | 42,836 | 09/26/2018 |
| RCSA | Interim | 2019 | 12/20/2018 | Common | 480,000 | - | 480,000 | 12/28/2018 |
| RCSA | JCP | 2019 | 12/31/2018 | Common | 49,400 | - | 49,400 | 03/27/2019 |
| RCSA | Interim | 2019 | 03/26/2019 | Common | 392,600 | - | 392,600 | 03/27/2019 |
| RCSA (1) | JCP | 2019 | 03/26/2019 | Common | 31,000 | - | 31,000 | 03/27/2019 |
| RCSA (1) | JCP | 2019 | 03/26/2019 | Common | 16,000 | - | 16,000 | Pending |
| RESA and RCSA | Exclusive | 2019 | - | Preferred D | 2,995 | - | 2,995 | Pending |
| Mime | Minimum | 2019 | - | Common | 3,554 | | 3,554 | Pending |
| Sabbá | Minimum | 2019 | - | Common | 8,889 | | 8,889 | Pending |
| Mime Conveniências | Minimum compulsory | 2019 | - | Common | 813 | - | 813 | Pending |
| Sabbá Conveniências | Minimum compulsory | 2019 | - | Common | 381 | - | 381 | Pending |
| RESA | Exclusive | 2019 | - | Preferred B | | 5,666 | 5,666 | Pending |
| RESA | Profit | 2019 | - | Common | 2,849 | | 2,849 | Pending |
| **Total Paid** | | | | | | | **2,274,446** | |
| **Total payable** | | | | | | | **37,553** | |
| **Impact in combined consolidated equity** | | | | | **2,290,793** | | | |

(1) Includes withholding income taxes over the interest on shareholders` equity paid and to be paid by RCSA in the amount of R$ 4,650 and R$ 2,400, respectively, which is recorded under the “Income and social contribution taxes payable caption”

| | | | | | | | March 31, 2018 | |
|---|---|---|---|---|---|---|---|---|
| **Companies** | **Dividend** | **Year** | **Approval** | **Nature and type of share** | **Impact in equity** | **No impact in equity** | **Amount paid or payable** | **Payment date** |
| Sabbá | Minimum | 2017 | 05/03/2017 | Common | - | - | 9,641 | 05/19/2017 |
| RCSA | Profit | 2017 | 06/26/2017 | Common | 52,000 | - | 52,000 | 06/28/2017 |
| RCSA | Interim | 2017 | 06/26/2017 | Common | 108,000 | - | 108,000 | 06/28/2017 |
| RCSA | JCP | 2017 | 06/26/2017 | Common | 50,000 | - | 50,000 | 06/28/2017 |
| RESA | Profit | 2017 | 06/26/2017 | Common | 391,000 | - | 391,000 | 06/28/2017 |
| Mime | Reversal of minimum mandatory | 2017 | 07/04/2017 | Common | (5,803) | - | - | - |
| Mime | Profit | 2017 | 07/04/2017 | Common | 25,530 | (830) | 24,700 | 07/07/2017 |
| RCSA | Redemption of shares | 2018 | 07/31/2017 | Preferred C | - | 86,618 | 86,618 | 08/28/2017 |
| RCSA | Redemption of shares | 2018 | 07/31/2017 | Preferred E | - | 15,891 | 15,891 | 08/28/2017 |
| RESA | Exclusive | 2017 | 07/31/2017 | Preferred B | - | - | (2,061) | 08/31/2017 |
| RESA | Exclusive | 2017 | 07/31/2017 | Preferred B | - | - | 28,422 | 08/31/2017 |
| RESA | Reversal of minimum mandatory | 2017 | 07/31/2017 | Common | (12,485) | - | - | - |
| RESA | Redemption of shares | 2017 | 07/31/2017 | Preferred C | - | - | 3,532 | 08/31/2017 |
| RESA and | Exclusive | 2017 | 07/31/2017 | Preferred D | 1,194 | 1,458 | 2,652 | 08/31/2017 |
| RCSA | Exclusive | 2017 | 07/31/2017 | Preferred C | - | 28,533 | 28,533 | 08/31/2017 |
| RESA | Profit | 2017 | 08/09/2017 | Common | 331,000 | - | 331,000 | 08/11/2017 |
| RCSA | Profit | 2017 | 08/09/2017 | Common | 85,500 | - | 85,500 | 08/31/2017 |
| RCSA | Interim | 2018 | 08/09/2017 | Common | 167,500 | - | 167,500 | 08/31/2017 |
| RCSA | JCP | 2018 | 08/09/2017 | Common | 17,000 | - | 17,000 | 08/31/2017 |
| RCSA | JCP | 2018 | 12/12/2017 | Common | 80,000 | - | 80,000 | 12/20/2017 |
| RCSA | Profit | 2018 | 12/12/2017 | Common | 493,000 | - | 493,000 | 12/20/2017 |
| RCSA | Profit | 2017 | 12/12/2017 | Common | 6,000 | - | 6,000 | 12/20/2017 |
| RESA | Profit | 2018 | 12/12/2017 | Common | 321,500 | - | 321,500 | 12/20/2017 |
| RCSA | JCP | 2018 | 12/31/2017 | Common | 16,000 | - | 16,000 | 03/28/2018 |
| Sabbá | Intermediaries | 2018 | 01/05/2018 | Common | 10,000 | - | 10,000 | 01/26/2018 |
| RESA | Profit | 2018 | 01/29/2018 | Common | - | 40,886 | 40,886 | 01/26/2018 |
| RCSA | Interim | 2018 | 03/26/2018 | Common | 490,000 | - | 490,000 | 03/28/2018 |
| RCSA | JCP | 2018 | 03/26/2018 | Common | 31,000 | - | 31,000 | 03/28/2018 |
| RESA | Profit | 2018 | 03/26/2018 | Common | 204,579 | - | 204,579 | 03/28/2018 |
| **Total Paid** | | | | | | | **3,092,893** | |
| Mime | Minimum | 2018 | - | Common | 4,827 | - | 4,827 | - |
| Mime Conveniências | Minimum compulsory | 2018 | - | Common | 16 | - | 16 | 08/30/2018 |
| Sabbá Conveniências | Minimum compulsory | 2018 | - | Common | 6 | - | 6 | 08/30/2018 |
| RESA and | Exclusive | 2018 | - | Preferred D | 2,972 | - | 2,972 | 08/28/2018 |
| RESA | Exclusive | 2018 | - | Preferred B | - | 10,355 | 10,355 | 08/28/2018 |
| RESA | Minimum | 2018 | - | Common | 5,241 | - | 5,241 | 08/28/2018 |
| **Total payable** | | | | | | | **23,417** | |
| **Impact in combined consolidated equity** | | | | | **2,875,577** | | | |

| | | | | | | | March 31, 2017 | |
|---|---|---|---|---|---|---|---|---|
| **Companies** | **Dividend** | **Year** | **Approval** | **Nature and type of share** | **Impact in equity** | **No impact in equity** | **Amount paid or payable** | **Payment date** |
| RCSA | Intermediaries | 2016 | 03/18/2016 | Common | - | - | 112,000 | 04/01/2016 |
| RCSA | JCP | 2016 | 03/18/2016 | Common | - | - | 33,000 | 04/01/2016 |
| RESA | Ordinary | 2016 | 03/18/2016 | Common | - | - | 125,000 | 04/01/2016 |
| Mime | Minimum compulsory | 2016 | 06/16/2016 | Common | - | - | 4,799 | 06/17/2016 |
| Mime | Complementary | 2016 | 06/23/2016 | Common | 8,165 | (2,084) | 6,081 | 06/24/2016 |
| RCSA | Intermediaries | 2016 | 06/23/2016 | Common | 33,000 | - | 33,000 | 06/24/2016 |
| RCSA | Intermediaries | 2016 | 06/23/2016 | Common | 51,000 | - | 51,000 | 06/24/2016 |
| RCSA | JCP | 2016 | 06/23/2016 | Common | 45,000 | - | 45,000 | 06/24/2016 |
| RESA | Minimum compulsory | 2016 | 07/29/2016 | Common | - | - | 9,865 | 09/28/2016 |
| RESA | Exclusive | 2017 | 07/29/2016 | Preferred B | - | 1,332 | 1,332 | 09/28/2016 |
| RESA | Exclusive | 2017 | 07/29/2016 | Preferred C | - | 7 | 7 | 09/28/2016 |
| RESA | Exclusive | 2017 | 07/29/2016 | Preferred D | 1,081 | - | 1,081 | 09/28/2016 |
| RCSA | Exclusive | 2016 | 08/23/2016 | Preferred D | - | - | 729 | 09/28/2016 |
| RCSA | Exclusive | 2017 | 08/23/2016 | Preferred D | 352 | - | 352 | 09/28/2016 |
| RCSA | Redemption of shares | 2016 | 08/23/2016 | Preferred C | - | 111,793 | 111,793 | 08/26/2016 |
| Sabbá | Minimum compulsory | 2016 | 08/30/2016 | Common | - | - | 2,176 | 01/11/2017 |
| Sabbá | Minimum compulsory | 2016 | 08/30/2016 | Common | - | - | 2,176 | 09/23/2016 |
| RCSA | Intermediaries | 2017 | 09/21/2016 | Common | 376,000 | - | 376,000 | 09/28/2016 |
| RCSA | JCP | 2017 | 09/21/2016 | Common | 49,000 | - | 49,000 | 09/28/2016 |
| RCSA | Intermediaries | 2017 | 11/11/2016 | Common | 330,000 | - | 330,000 | 11/14/2016 |
| RESA | Intermediaries | 2016 | 11/11/2016 | Common | 223,000 | - | 223,000 | 11/14/2016 |
| RCSA | Intermediaries | 2017 | 12/22/2016 | Common | 200,000 | - | 200,000 | 12/23/2016 |
| RCSA | JCP | 2017 | 12/22/2016 | Common | 47,000 | - | 47,000 | 12/23/2016 |
| RESA | Intermediaries | 2016 | 12/22/2016 | Common | 351,000 | - | 351,000 | 12/23/2016 |
| RCSA | JCP | 2017 | 12/31/2016 | Common | 21,000 | - | 21,000 | 03/24/2017 |
| RESA | JCP | 2017 | 12/31/2016 | Common | 200,000 | - | 200,000 | 03/24/2017 |
| RCSA | JCP | 2017 | 03/22/2017 | Common | 34,000 | - | 34,000 | 03/24/2017 |
| RCSA | Intermediaries | 2017 | 03/22/2017 | Common | 278,000 | - | 278,000 | 03/24/2017 |
| RESA | Dividends from retained | 2016 | 03/22/2017 | Common | 65,000 | - | 65,000 | 03/24/2017 |
| **Total Paid** | | | | | | | **2,713,391** | |
| Sabbá | Minimum compulsory | 2017 | - | Common | 9,641 | - | 9,641 | 05/19/2017 |
| Mime | Minimum compulsory | 2017 | - | Common | 5,804 | - | 5,804 | - |
| RESA and | Exclusive | 2017 | - | Preferred D | 1,458 | - | 1,458 | 08/31/2017 |
| RESA | Minimum compulsory | 2017 | - | Common | 12,485 | - | 12,485 | - |
| RESA | Exclusive | 2017 | - | Preferred B | - | - | 28,422 | 08/31/2017 |
| RESA | Exclusive | 2017 | - | Preferred C | - | - | 3,531 | 08/31/2017 |
| **Total payable** | | | | | | | **61,341** | |
| **Impact in combined consolidated equity** | | | | | **2,341,986** | | | |

## (d) Equity valuation adjustments

### (i) Actuarial (Gain)/loss

Derive from gains and losses and adjustments for experience and changes in actuarial assumptions on the defined benefit pension plan. This component is recognized in other comprehensive income and will not be reclassified to profit or loss in subsequent years.

### (ii) Income (loss) from net investment hedge abroad

It refers to the effective portion with the foreign exchange differences of hedge of net investments of RCSA in foreign entity.

### (iii) Income from financial instruments designated as hedge accounting

This refers to changes in fair value resulting from *hedging* cash flows of export revenues from VHP sugar, ethanol, exchange fluctuations of PEPs and fuel imports.

### (iv) Effect of foreign currency translation

Corresponds to conversion differences to the actual accounting information of RESA's and RCSA's investees with a functional currency different from the Group.

### (v) Movement in equity valuation adjustments, net of taxes:

| | 2018 | Comprehensive income | 2019 |
|---|---|---|---|
| Effect of foreign currency translation | 273 | (102,591) | (102,318) |
| Actuarial loss from defined benefit plan | (11,526) | (1,013) | (12,539) |
| Income (loss) from net investment hedge in foreign entity | - | (35,795) | (35,795) |
| Income (loss) from financial instruments designated as hedge accounting | 7,851 | (277,520) | (269,669) |
| | (3,402) | (416,919) | (420,321) |
| Attributable to: | | | |
| Group's controlling shareholders | (3,397) | (416,919) | (420,316) |
| Group's non-controlling shareholders | (5) | - | (5) |

| | 2017 | Comprehensive income | 2018 |
|---|---|---|---|
| Effect of foreign currency translation | 4,038 | (3,765) | 273 |
| Actuarial loss from defined benefit plan | (11,175) | (351) | (11,526) |
| Income (loss) from financial instruments designated as hedge accounting | (32,251) | 40,102 | 7,851 |
| | (39,388) | 35,986 | (3,402) |
| Attributable to: | | | |
| Group's controlling shareholders | (39,383) | 35,986 | (3,397) |
| Group's non-controlling shareholders | (5) | - | (5) |

| | 2016 | Comprehensive income | 2017 |
|---|---|---|---|
| Effect of foreign currency translation | 1,433 | 2,605 | 4,038 |
| Actuarial loss from defined benefit plan | (9,092) | (2,083) | (11,175) |
| Net gain (loss) on financial instruments designated as hedge accounting | (525,962) | 493,711 | (32,251) |
| | (533,621) | 494,233 | (39,388) |
| Attributable to: | | | |
| Group's controlling shareholders | (533,611) | 494,228 | (39,383) |
| Group's non-controlling shareholders | (10) | 5 | (5) |

## (e) Profit reserves

### (i) Legal reserve

The legal reserve consists of the allocation of 5% of the profit reported in the year, according to the by-laws of RESA and RCSA, parent company and in compliance with LSA.

On March 31, 2019 and 2018, as established by the LSA, RCSA did not allocate 5% of net income to the caption of its legal reserve, since the legal reserves and capital, together, exceeded 30% of the capital.

### (ii) Profit retention reserve

It refers to the remaining balance of the Group's profit, after the appropriations made to set up the legal reserve and to accrue dividends. Under RESA's and RCSA's by-laws, up to 80% of the year's profit may be allocated to that reserve, to fund operations and to new investments and projects, which may not exceed the percentage of 80% of capital.

### (iii) Tax incentive reserve

The tax incentive reserve is credited with the tax incentive benefits, which are recognized in the statement of income for the year and allocated from retained earnings to this reserve. These incentives are not included in the calculation of the minimum mandatory dividend and refer to: (a) "Produzir" state incentive program with the State of Goiás, in the form of financing a portion of ICMS payment; (b) tax benefit in sugar industrialization transactions in the state of Mato Grosso do Sul, equivalent to 67% of the debt balance of the ICMS and the deemed Ethanol credit; and (c) economic grant provided by the Federal Government in operations related to sale of diesel.

## 22. Net operating revenue

The breakdown of the Group's gross revenue is as follows:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Domestic market | 100,572,838 | 83,349,717 | 75,525,048 |
| Foreign market | 10,835,707 | 6,525,388 | 7,973,736 |
| Gross revenue from sale of products and services | 111,408,545 | 89,875,105 | 83,498,784 |
| Income (loss) from financial instruments designated as hedge accounting | 454,494 | 374,633 | (1,021,606) |
| Results from commodity financial instruments not designated as hedge accounting | (99,015) | 42,374 | 17,724 |
| Returns and cancellations | (526,823) | (448,610) | (416,276) |
| Sales taxes | (6,339,739) | (2,834,232) | (2,185,437) |
| Commercial discounts and rebates | (402,732) | (297,259) | (282,657) |
| Amortization of exclusive supply rights (Note 12) | (452,503) | (396,951) | (343,439) |
| Other | (69,189) | (53,854) | (57,651) |
| Net operating revenue | 103,973,038 | 86,261,206 | 79,209,442 |

Detailing of net operating revenue per product is as follows:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Diesel | 39,988,988 | 32,756,542 | 30,412,247 |
| Gasoline | 33,285,917 | 31,898,957 | 30,227,056 |
| Ethanol | 14,748,890 | 10,637,541 | 9,078,402 |
| *Jet* A-1 | 6,405,478 | 3,954,988 | 3,415,610 |
| Sugar | 3,902,099 | 5,435,876 | 5,240,210 |
| Energy | 3,463,542 | 952,197 | 517,685 |
| Other | 2,178,124 | 625,105 | 318,232 |
| | 103,973,038 | 86,261,206 | 79,209,442 |

## 23. Costs and expenses per type

### Reconciliation of costs and expenses by nature

Costs and expenses are shown in the income (loss) by function. The reconciliation of the Group's results by nature for the years 2019, 2018 and 2017 is as follows:

### Costs and expenses by nature (1) / (2)

| | 2019 | 2,018 | 2017 |
|---|---|---|---|
| Fuels for resales and raw material, collection and transfer costs | (90,304,867) | (74,586,274) | (68,923,662) |
| Depreciation and amortization | (2,452,718) | (2,345,337) | (2,011,747) |
| Personnel expenses | (1,857,145) | (1,770,178) | (1,588,029) |
| Cutting, loading and transportation | (931,944) | (800,816) | (682,378) |
| Realization of fair value of biological assets | (266,494) | (639,996) | (348,363) |
| Change in fair value of biological assets | 5,335 | 272,564 | 652,984 |
| Rental and leases | (534,100) | (441,046) | (415,338) |
| Maintenance materials | (383,759) | (371,015) | (442,440) |
| Commercial expenses | (359,552) | (352,966) | (302,520) |
| Resale of energy (3) | (2,863,881) | (345,337) | (61,593) |
| Freight | (440,984) | (343,961) | (326,073) |
| Outsourced labor | (392,444) | (335,886) | (275,933) |
| Logistics expenses | (302,858) | (242,411) | (193,812) |
| Other | (601,828) | (982,014) | (498,260) |
| | (101,687,239) | (83,284,673) | (75,417,164) |

(1) As of March 31, 2019, this includes the Investment grants – ICMS of R$ 29,611 (R$ 30,375 in 2018 and R$ 14,985 in 2017).

(2) As of March 31, 2019, the reversal of estimated loss is included on realization of taxes in the amount of R$ 9,968 (formation of losses totaling R$ 9,735 in 2018 and R$ 6,291 in 2017).

(3) The increase in the costs of purchase of electricity is mainly due to the increase in sales volume as a result of the acquisition of WX.

### Classified as:

| | 2,019 | 2,018 | 2,017 |
|---|---|---|---|
| Cost of products sold and services rendered | (98,008,548) | (80,050,279) | (72,547,575) |
| Selling expenses | (2,526,598) | (2,139,156) | (1,875,271) |
| General and administrative expenses | (1,152,093) | (1,095,238) | (994,318) |
| | (101,687,239) | (83,284,673) | (75,417,164) |

## 24. Other operating income, net

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Credits from indemnity suits (Note 9) | 221,373 | - | - |
| Recognition of extemporaneous tax credits, net (1) | 225,313 | 218,699 | 403,113 |
| Revenues from rental and leases | 106,163 | 91,802 | 103,213 |
| Gain in the sale of property, plant and equipment | 113,400 | 95,198 | 82,246 |
| Revenue from royalties | 67,294 | 59,957 | 52,798 |
| Merchandising | 67,708 | 57,249 | 47,812 |
| Commissions on sales of lubricants, cards and payment means | 29,729 | 36,919 | 20,283 |
| Capital gain on dilution of ownership interest (Note 13.b.ii) | 109,467 | - | 14,697 |
| Store rental revenue | 7,076 | 8,897 | 13,761 |
| Reversal (formation) of estimated loss on non-realization of taxes and fees (3) | 91,136 | 1,034 | (67,582) |
| Net reversal (formation) of estimated loss in investments and fixed and fixed assets (Notes 13 and 14) | 146,628 | 3,823 | (163,088) |
| Gain in the disposal of shares (2) | - | 53,747 | 166,103 |
| Other revenues (expenses), net | 66,681 | (5,261) | (27,129) |
| | 1,251,968 | 622,064 | 646,227 |

(1) Refers mainly to the recovery of tax credits arising from the Group's activities, recognized in income (loss) for the years ended March 31, 2019, 2018 and 2017.
(2) It referred to gain on sales of ownership interest in the companies TEAS and Serviços e Tecnologia de Pagamentos S.A. – STP, occurred on March 31, 2018 and 2017, respectively.
(3) It refers, mainly, to reversal of estimated loss on realization of ICMS in certain States recognized in prior years (Note 8).

## 25. Financial results

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Financial expenses | | | |
| Interest | (980,910) | (783,474) | (807,861) |
| Monetary variation - liabilities | (152,678) | (99,863) | (81,536) |
| PIS and COFINS on financial revenues | (38,912) | (34,524) | (40,168) |
| Other | (115,956) | (42,462) | (18,869) |
| | (1,288,456) | (960,323) | (948,434) |
| Fair value of financial instruments (Note 17) | (213,303) | 19,776 | (90,150) |
| Amounts capitalized on qualifying assets (Note 14) | 30,825 | 36,150 | 26,904 |
| | (1,470,934) | (904,397) | (1,011,680) |
| Financial revenues | | | |
| Yields from financial investments | 134,046 | 237,306 | 374,118 |
| Interest | 393,309 | 321,013 | 326,776 |
| Monetary variation - assets and others | 82,938 | 60,787 | 35,962 |
| | 610,293 | 619,106 | 736,856 |
| Exchange variation, net | (781,306) | (324,948) | 443,314 |
| Net effect of the derivatives | 850,327 | 187,081 | (327,150) |
| | (791,620) | (423,158) | (158,660) |

## 26. Financial instruments

### (a) Overview

The Group presents exposure to the following main risks deriving from its operations, which are equalized and managed with the use of certain financial instruments:

- Price risk
- Foreign exchange rate risk
- Interest rate risk
- Credit risk
- Liquidity risk

### (b) Risk management framework

The Group has specific treasury and trading policies that set risk management guidelines.

The Group has two main committees to monitor activities and ensure policy compliance: (i) A risk committee whose members gather weekly to analyze the behavior of commodity (sugar and oil by-products) and foreign exchange markets and decide on coverage positions and the strategy to fix the prices of imports and exports to reduce the negative effects of changes in commodities' prices and foreign exchange rate; and, (ii) an ethanol and by-product committee whose members gather monthly to assess the risks posed by the sale of ethanol and to comply with the limits set on risk policies.

The Group is exposed to market risks, and main ones are: (i) fluctuations in sugar, electric power, ethanol and oil by-product prices; (ii) fluctuations in exchange rates; and, (iii) fluctuations in interest rates. The purchases of financial instruments for hedging purposes are made according to an analysis of the risk exposure that Management intends to cover.

As of March 31, 2019 and 2018, the fair values of transactions with derivative financial instruments for hedging and other purposes were determined according to observable data, such as prices quoted in active markets or discounted cash flows according to market curves and are presented below:

| | Notional | | Fair value | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Price risk | | | | |
| Commodity derivatives | | | | |
| Futures contracts | (7,024,990) | 2,066,104 | 80,971 | 85,735 |
| | (7,024,990) | 2,066,104 | 80,971 | 85,735 |
| Foreign exchange rate risk | | | | |
| Foreign exchange rate derivatives | | | | |
| Futures contracts | (61,373) | (59,829) | 595 | (1,521) |
| Forward contracts | 662,439 | (332,376) | 15,693 | (3,453) |
| FX lock | 194,835 | 498,570 | 304 | 5,825 |
| FX swap | (6,958,896) | (3,815,277) | 673,781 | (24,218) |
| | (6,162,995) | (3,708,912) | 690,373 | (23,367) |
| Interest rate risk | | | | |
| Interest rate swap | (1,357,043) | (757,043) | 140,563 | 97,541 |
| | (1,357,043) | (757,043) | 140,563 | 97,541 |
| Total | | | 911,907 | 159,909 |
| Current assets | | | 797,405 | 228,092 |
| Non-current assets | | | 856,901 | 273,762 |
| Total assets | | | 1,654,306 | 501,854 |
| Current liabilities | | | (698,742) | (142,343) |
| Non-current liabilities | | | (43,657) | (199,602) |
| Total liabilities | | | (742,399) | (341,945) |
| Total | | | 911,907 | 159,909 |

## (c) Price risk

Results from the possibility of fluctuations in the market prices of the products sold by the Group, mainly VHP sugar (sugar #11), refined sugar (sugar #5 or *white sugar*), diesel (heating oil), gasoline, ethanol and electric power. These price fluctuations may cause substantial alterations in the sales revenues and costs. To mitigate these risks, the Group permanently monitors markets, seeking to anticipate price changes.

**Price risk: goods derivatives outstanding on March 31, 2019**

| Derivatives | Purchased / Sold | Market | Contract | Maturity | Notional (units) | | Notional (R$ thousand) | Fair value (R$ thousand) |
|---|---|---|---|---|---|---|---|---|
| Future | Sold | NYSE LIFFE | Sugar#5 | Apr19–Jul/19 | 3,600 | t | 4,693 | 125 |
| Future | Sold | ICE | *Sugar#11* | Apr19–Sep/20 | 3,138,826 | t | 3,657,828 | 121,018 |
| Options | Sold | ICE | *Sugar#11* | Jun/19–Sep/20 | 1,482,414 | t | 44,000 | (35,372) |
| Options | Sold | OTC | *Sugar#11* | Sep/19 | 101,605 | t | 134,400 | (1,592) |
| Sub-total sugar future sold | | | | | 4,726,445 | t | 3,840,921 | 84,179 |
| Future | Purchased | NYSE LIFFE | Sugar#5 | Apr19–Jul/19 | (3,600) | t | (4,709) | (140) |
| Future | Purchased | ICE | *Sugar#11* | Apr19–Sep/20 | (1,742,217) | t | (1,939,634) | (40,096) |
| Future | Purchased | ICE | *Sugar#11* | Jun/19–Sep/20 | (1,355,408) | t | (71,842) | 35,655 |
| Options | Purchased | OTC | *Sugar#11* | Sep/19 | (101,605) | t | (100,800) | 1,696 |
| Subtotal future sugar bought | | | | | (3,202,830) | t | (2,116,985) | (2,885) |
| Subtotal sugar future | | | | | 1,523,615 | t | 1,723,936 | 81,294 |
| Future | Sold | B3 | Ethanol | Apr-19 | 750 | m³ | 1,196 | 88 |
| Future | Sold | CME | Ethanol | Apr/19–Mar/20 | 457,900 | m³ | 1,027,920 | (12,398) |
| Options | Sold | OTC | Ethanol | Apr-19 | 688,278 | m³ | 289,748 | 38,166 |
| Sub-total ethanol future sold | | | | | 1,146,928 | m³ | 1,318,864 | 25,856 |
| Future | Purchased | B3 | Ethanol | Apr-19 | (1,500) | m³ | (2,730) | (176) |
| Future | Purchased | CME | Ethanol | Apr/19–Mar/20 | (394,400) | m³ | (877,692) | 21,340 |
| Options | Purchased | OTC | Ethanol | Apr-19 | (616,314) | m³ | (181,764) | (22,860) |
| Sub-total ethanol future bought | | | | | (1,012,214) | m³ | (1,062,186) | (1,696) |
| *Physical fixed* | Sold | CHGOETHNL | Ethanol | Apr/19–Mar/20 | 84,339 | m³ | 155,662 | 5,911 |
| Sub-total physical fixed ethanol sold | | | | | 84,339 | m³ | 155,662 | 5,911 |
| *Physical fixed* | Purchased | CHGOETHNL | Ethanol | Apr/19–Mar/20 | (567,902) | m³ | (860,290) | (959) |
| Sub-total physical fixed ethanol bought | | | | | (567,902) | m³ | (860,290) | (959) |
| Sub-total future physical fixed ethanol | | | | | (348,849) | m³ | (447,950) | 29,112 |
| Future | Sold | NYMEX | Gasoline | Apr/19-Jan/20 | 394,091 | m³ | 743,449 | (15,467) |
| Future | Sold | ICE | Gasoline | Apr/19-Jan/20 | 438,840 | m³ | 664,068 | (31,862) |
| Options | Sold | OTC | Gasoline | Apr/19–Mar/20 | 111,618 | m³ | 194,265 | 21,246 |
| Options | Sold | ICE | Gasoline | May/19 | 25,440 | m³ | 318 | 318 |
| Subtotal future gasoline sold | | | | | 969,989 | m³ | 1,602,100 | (25,765) |
| Future | Purchased | NYMEX | Gasoline | Apr/19-Jan/20 | (490,992) | m³ | (882,304) | 47,276 |
| Future | Purchased | ICE | Gasoline | Apr/19–Mar/20 | (438,840) | m³ | (664,675) | 31,256 |
| Options | Purchased | OTC | Gasoline | May/19 | (20,670) | m³ | (439) | (439) |
| Subtotal future gasoline bought | | | | | (950,502) | m³ | (1,547,418) | 78,093 |
| Subtotal future gasoline | | | | | 19,487 | m³ | 54,682 | 52,328 |
| *Physical fixed* | Purchased | CCEE/OTC | Energy | Apr/19–Dec/23 | 5,648,511 | mwh | 29,583,178 | (297,061) |
| *Physical fixed* | Sold | CCEE/OTC | Energy | Apr/19–Dec/23 | (5,648,511) | mwh | (38,926,128) | 263,373 |
| Subtotal future *physical fixed* electric power | | | | | - | | (9,342,950) | (33,688) |
| Future | Purchased | NYMEX | Heating Oil / gasoline | Apr/18 | (372,855) | m³ | (732,316) | (2,091) |
| Sub-total future heating oil/gasoline bought | | | | | (372,855) | m³ | (732,316) | (2,091) |
| Future | Sold | NYMEX | Heating Oil / gasoline | Apr/18 | 893,580 | m³ | 1,719,608 | (45,984) |
| Sub-total heating oil/gasoline sold | | | | | 893,580 | m³ | 1,719,608 | (45,984) |
| Sub-total heating oil/gasoline/electric power | | | | | 520,725 | m³ | 987,292 | (48,075) |
| Net exposure of derivatives of goods as of March 2019 | | | | | | | (7,024,990) | 80,971 |
| Net exposure of commodity derivatives in March 2018 | | | | | | | 2,066,104 | 85,735 |

## (d) Foreign exchange rate risk

Foreign exchange rate risks arise from the possibility of fluctuations in the exchange rates used by Raízen Group for export revenues, imports, financing cash flows and other foreign currency assets and liabilities. The Group uses derivative transactions to manage cash flow risks resulting from export revenues denominated in US dollars, net of other cash flows also denominated in foreign currency. The table below shows the positions for derivatives used to cover foreign exchange rate risks:

| | | | | | Exchange rate risk: outstanding foreign exchange derivatives as of March 31, 2019 | | |
|---|---|---|---|---|---|---|---|
| **Derivatives** | **Purchased / Sold** | **Market** | **Contract** | **Maturity** | **Notional (US$ thousand)** | **Notional (R$ thousand)** | **Fair value (R$ thousand)** |
| Future | Sold | B3 | Trade dollar | Apr/19–May/19 | 578,250 | 2,253,267 | 6,268 |
| Subtotal future sold | | | | | 578,250 | 2,253,267 | 6,268 |
| Future | Purchased | B3 | Trade dollar | Apr/19–May/19 | (594,000) | (2,314,640) | (5,673) |
| Subtotal future bought | | | | | (594,000) | (2,314,640) | (5,673) |
| Subtotal future bought/sold | | | | | (15,750) | (61,373) | 595 |
| Term | Sold | OTC/Cetip | *Non-Deliverable Forward - NDF* | Apr/19–May/19 | 1,941,950 | 7,567,197 | (119,564) |
| Term | Purchased | OTC/Cetip | *NDF* | Apr/18 | (1,771,950) | (6,904,758) | 135,257 |
| Subtotal term bought/sold | | | | | 170,000 | 662,439 | 15,693 |
| FX swap | Sold | OTC | FX swap | May/19–Jun/19 | 463,952 | 1,807,881 | (343,503) |
| FX swap | Purchased | OTC | FX swap | Apr/19–Jan/27 | (2,249,795) | (8,766,777) | 1,017,284 |
| Subtotal FX swap | | | | | (1,785,843) | (6,958,896) | 673,781 |
| FX lock | Sold | OTC | FX lock | Jun/19 | 50,000 | 194,835 | 304 |
| Subtotal foreign exchange lock, sold | | | | | 50,000 | 194,835 | 304 |
| Net exposure of foreign exchange derivatives in March 2019 | | | | | (1,581,593) | (6,162,995) | 690,373 |
| Net exposure of foreign exchange derivatives in March 2018 | | | | | (1,115,866) | (3,708,912) | (23,367) |

On March 31, 2019, the summary of the quantitative data on Group's net exposure, considering the foreign exchange rate of all currencies to USD, is presented below:

| | 2019 | |
|---|---|---|
| | R$ | US$ (in thousands) |
| Cash and cash equivalents (Note 3) | 2,149,043 | 554,349 |
| Restricted cash (Note 5) | 153,039 | 39,477 |
| Accounts receivable - Abroad (Note 6) | 642,922 | 165,843 |
| Related parties (Note 11.a) | (1,980,898) | (510,975) |
| Suppliers (Note 16) | (4,155,633) | (1,071,951) |
| Loans and financing (Note 17) | (10,247,475) | (2,643,350) |
| Derivative financial instruments (Note 26.d) (1) | | 1,581,593 |
| Net foreign exchange exposure | | (1,885,014) |
| Derivatives settled in the month following the closing (2) | | - |
| Net foreign exchange exposure in March 2019 (3) | | (1,885,014) |
| Net foreign exchange exposure in March 2018 | | (788,938) |

(1) Refers to the notional foreign exchange derivative transactions.
(2) Maturity on April 2019, whose settlement was given by PTAX on the last closing day of the month.
(3) The net foreign exchange exposure, this will be substantially offset by probable future revenues of export products and/or import products.

## (e) Hedge accounting effect

The Group formally designates its transactions subject to hedge accounting aiming at hedging cash flows. *Hedges* are assigned to sugar and ethanol revenues, as applicable, the cost of import of derivatives and foreign currency debt, documenting: (i) the hedging relationship, (ii) the Group's risk management purpose and strategy when entering into the hedging instrument, (iii) the identification of the financial instrument, (iv) the covered object or transaction, (v) the nature of the risk to be covered, (vi) the description of the hedging relationship and (vii) correlation between hedging and coverage object.

As of March 31, 2019, the impacts recognized in the Group's shareholders equity and the estimated realization in profit or loss are shown below:

| | | | Realization years | | | |
|---|---|---|---|---|---|---|
| **Instruments** | **Market** | **Risk** | **2019/20** | **2020/21** | **>2021** | **2019** |
| Future | OTC / ICE | Sugar#11 | 71,888 | 5,177 | - | 77,065 |
| Future | B3 / NYMEX / OTC | Ethanol | 47,551 | - | - | 47,551 |
| Option | ICE | Sugar#11 | (26,578) | 305 | - | (26,273) |
| NDF | OTC | FX | (152,765) | (7,383) | - | (160,148) |
| Swap | OTC | FX | - | - | (306,492) | (306,492) |
| PPE | Debt | FX | - | - | (40,293) | (40,293) |
| | | | (59,904) | (1,901) | (346,785) | (408,590) |
| (-) Deferred taxes | | | 20,367 | 646 | 117,908 | 138,921 |
| Effect in equity | | | (39,537) | (1,255) | (228,877) | (269,669) |

| | | | Realization years | | |
|---|---|---|---|---|---|
| **Instruments** | **Market** | **Risk** | **2018/19** | **>2019** | **2018** |
| Future | OTC / ICE | Sugar#11 | 50,104 | - | 50,104 |
| Future (1) | B3 / NYMEX / OTC | Ethanol | (19,111) | - | (19,111) |
| NDF | OTC | FX | 2,751 | - | 2,751 |
| Swap | Debt | FX | - | (5,702) | (5,702) |
| PPE | Debt | FX | - | (16,147) | (16,147) |
| | | | 33,744 | (21,849) | 11,895 |
| (-) Deferred taxes | | | (11,473) | 7,429 | (4,044) |
| Effect in equity | | | 22,271 | (14,420) | 7,851 |

(1) During the year ended March 31, 2018, RESA started designating RBOB (NYMEX gasoline) futures and EUROBOB (Argus) benchmarks, as cash flow hedge with the purpose of hedging ethanol prices.

We show below the movement in the balances of other comprehensive income during the years ended March 31, 2019, 2018 and 2017.

## Cash flow hedge

| | **2019** | **2018** | **2017** |
|---|---|---|---|
| Balance at March 31, 2018 | 7,851 | (32,251) | (525,962) |
| Movement occurred in the period: | | | |
| Fair value on commodity futures designated as hedge accounting | 501,929 | 389,341 | (338,508) |
| Fair value loss on forward exchange contracts designated as hedge accounting | (135,403) | (4,792) | (46,159) |
| Income (loss) from commodities reclassified to revenue | (14,699) | (3,696) | 111,105 |
| Income (loss) from debt contracts in net operating revenue | (324,944) | 79,385 | 110,069 |
| Income (loss) from commodities reclassified to net operating revenue | 115,177 | (454,022) | 911,538 |
| Income (loss) from commodities/foreign exchange reclassified to cost of products sold and services rendered and other | (569,674) | - | - |
| Other | 7,129 | 54,545 | - |
| Total movements occurred during the period (before deferred taxes) | (420,485) | 60,761 | 748,045 |
| Effect of deferred taxes on equity valuation adjustments | 142,965 | (20,659) | (254,334) |
| | (277,520) | 40,102 | 493,711 |
| Balance at March 31, 2019 | (269,669) | 7,851 | (32,251) |

## Fair value hedge

RCSA assigns to the fair value, the imported inventory of oil by-products with linked derivatives (forward sold) at fair value. The primary goal of risk management is to recognize inventory at a floating price, as it will be the case of RCSA's sales revenue upon selling products to its customers. Hedge accounting aims to minimize any kind of mismatching in income (loss) for the period, causing both the derivatives and the inventory to be recorded at fair value, with the change being recognized under Cost of products sold and services rendered caption, whose negative impact in the year ended March 31, 2019 is R$ 37,764 (R$ 16,827 in 2018).

## (f) Interest rate risk

The Group monitors fluctuations in interest rates applied to certain debts, particularly those exposed to the Libor, and uses derivative instruments to manage those risks. The table below shows the positions for derivative financial instruments used to cover interest rate risk:

**Interest rate risk: Interest derivatives, outstanding as of March 31, 2019**

| Derivatives | Purchased / Sold | Market | Contract | Maturity | Notional (units) | Notional (R$ thousand) | Fair value (R$ thousand) |
|---|---|---|---|---|---|---|---|
| Interest rate swap | Sold | OTC | Interest rate swap | Oct/20 | 102,889 | 400,927 | (16,907) |
| Interest rate swap | Purchased | OTC | Interest rate swap | Oct/20–Jan/27 | (451,143) | (1,757,970) | 157,470 |
| Sub-total interest rate swap | | | | | (348,254) | (1,357,043) | 140,563 |
| Net exposure of interest rate derivatives in March 2019 | | | | | (348,254) | (1,357,043) | 140,563 |
| Net exposure of interest rate derivatives in March 2018 | | | | | (228,560) | (757,043) | 97,541 |

## (g) Credit risk

A substantial part of the Group's sales is made to a select group if highly qualified counterparties, such as trading companies, fuel distribution companies and major supermarket chains.

The Group manages credit risk by following specific client acceptance standards, analyzing client credit standing and setting exposure limits per client, requiring, when applicable, letters of credit of top tier banks and taking security interest in assets as security for payment of the credit facilities granted to clients. Management considers that the credit risk is substantially covered by the estimated loss in allowance for doubtful accounts.

Individual risk limits are determined according to internal and external classifications and the limits set by Group's Management. The use of credit limits is regularly monitored. No credit limit was exceeded during the year, and Management does not expect any loss from default by these counterparties in amounts higher than those already provided for.

The Group enters into commodity derivative agreements in futures markets and options at the New York Board of Trade - NYBOT and NYMEX, Chicago - *CBOT*, Chicago - *CME* and the London International Financial Futures and Options Exchange - LIFFE, as well as in over-the-counter markets with selected counterparties. The Group enters into foreign exchange rate and commodity derivative agreements at B3 and over-the-counter agreements, mainly with the leading local and foreign banks considered by global credit risk rating agencies to have investment level ratings.

**Guarantee margins** - Derivative transactions in commodity exchanges (NYBOT, NYMEX, LIFFE and B3) require guarantee margins. The total margin of combined consolidated deposited as of March 31, 2019 is R$ 217,869 (R$ 75,839 in 2018), of which R$ 64,830 (R$ 38,863 in 2018) in restricted financial investments and R$ 153,039 (R$ 36,976 in 2018) in derivative transaction margins.

The Group's over-the-counter (“OTC”) derivative transactions do not require a guarantee margin.

The credit risk on cash and cash equivalents is mitigated by the conservative distribution of investment funds and CDBs, which make up the caption. The distribution follows strict criteria for allocation and exposure to counterparties that are major national and international banks, mainly considered investment grade by international *rating* agencies.

## (h) Liquidity risk

It is the risk of the Group may encounter difficulties in performing the obligations associated with its financial liabilities that are settled with payments or with another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As part of the liquidity management process, management prepares business plans and monitors their implementation, discussing positive and negative cash flow risks and assessing the availability of funds to support its operations, investments and refinancing needs.
The table below shows the main financial liabilities according to their aging schedules:

| | Up to 1 year | Up to 2 years | 3–5 years | >5 years | Total |
|---|---|---|---|---|---|
| Loans and financing (1) | 2,027,239 | 3,549,459 | 7,590,046 | 8,517,449 | 21,684,193 |
| Suppliers (Note 16) | 8,025,555 | - | - | - | 8,025,555 |
| Derivative financial assets (Note 26.b) | 698,742 | 42,731 | 926 | - | 742,399 |
| Related parties (Note 11.a) | 2,939,123 | - | - | 421,048 | 3,360,171 |
| | 13,690,659 | 3,592,190 | 7,590,972 | 8,938,497 | 33,812,318 |

(1) Undiscounted contractual cash flows.

## (i) Fair value

Fair value of financial assets and liabilities is the value by which the instrument may be exchanged in a current transaction between parties that are willing to negotiate, and not in a forced sale or settlement. The methods and assumptions used to estimate the fair value are described below.

The fair value of cash and cash equivalents, accounts receivable, other financial assets, accounts payable, related parties and other short-term obligations are approximated to their accounting amount due to the short-term maturity of these instruments. Fair value of other long-term assets and liabilities does not significantly differ from their book values.

The fair value of the liability financial instruments of the Group approximates the book value, since they are subject to variable interest rates and there was no significant change in Group's credit risk. The fair value measurement of the tradable Senior Notes 2027, only for disclosure purposes, is based on market quotations on the date of financial statements. As of March 31, 2019, such market value is 102.41% (101.23% in 2018) of face value.

Derivatives are valued using valuation techniques with observable market data and refer, mainly, to *swaps* of interest rates, foreign exchange forward contracts, and forward *commodity* contracts. The valuation techniques applied often include pricing models and *swaps* contracts, with present value calculations. The models incorporate various data, including the credit quality of counterparties, foreign exchange spot, and forward rates, interest rate curves, and forward rate curves of the hedge object.

| | | Book value | | Market value | |
|---|---|---|---|---|---|
| | **Classification** | **2019** | **2018** | **2019** | **2018** |
| **Financial assets** | | | | | |
| Cash and cash equivalents, except investments (Note 3) | Amortized cost | 2,493,436 | 1,451,703 | 2,493,436 | 1,451,703 |
| Interest earnings bank deposits (Note 3) | Fair value through profit or loss | 3,246,601 | 2,211,465 | 3,246,601 | 2,211,465 |
| Securities (Note 4) | Fair value through profit or loss | 268,413 | 1,078,945 | 268,413 | 1,078,945 |
| Restricted cash (Note 5) | Amortized cost | 153,039 | 36,976 | 153,039 | 36,976 |
| Restricted financial investments (Restricted cash) (Note 5) | Fair value through profit or loss | 122,676 | 106,630 | 122,676 | 106,630 |
| Trade accounts receivable (Note 6) | Amortized cost | 3,874,908 | 3,204,623 | 3,874,908 | 3,204,623 |
| Derivative financial instruments (2) (Note 26.b) | Fair value through profit or loss | 1,654,306 | 501,854 | 1,654,306 | 501,854 |
| Related parties (Note 11.a) | Amortized cost | 2,316,697 | 2,038,576 | 2,316,697 | 2,038,576 |
| Other financial assets (Note 10) | Amortized cost | 833,426 | 910,812 | 833,426 | 910,812 |
| | | 14,963,502 | 11,541,584 | 14,963,502 | 11,541,584 |
| **Financial liabilities** | | | | | |
| Loans and financing (Note 17) | Amortized cost | (6,708,856) | (9,719,519) | (6,632,417) | (9,767,454) |
| Loans and financing (Note 17) | Fair value through profit or loss | (10,555,445) | (3,798,830) | (10,555,445) | (3,798,830) |
| Derivative financial instruments (1) (Note 26.b) | Fair value through profit or loss | (742,399) | (341,945) | (742,399) | (341,945) |
| Suppliers (Note 16) | Amortized cost | (8,025,555) | (3,743,571) | (8,025,555) | (3,743,571) |
| Related parties (Note 11.a) | Fair value through other comprehensive income | (1,294,559) | - | (1,294,559) | - |
| Related parties (Note 11.a) | Amortized cost | (2,008,315) | (1,187,449) | (2,008,315) | (1,187,449) |
| | | (29,335,129) | (18,791,314) | (29,258,690) | (18,839,249) |

(1) As of March 31, 2019, the caption includes derivatives designated as hedging instrument in the negative amount of R$ 408,590 (a positive amount of R$ 11,895 in 2018 and a negative amount of R$ 48,866 in 2017).

### Fair value hierarchy

The Group uses the following hierarchy to determine and disclose the fair values of financial instruments according to the valuation technique used:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: other techniques for which all data that have a significant effect on fair value are observable, whether directly or indirectly; and,
- Level 3: techniques that use data that have a significant effect on fair value that are not based on observable market data.

| Financial instruments measured at fair value as of March 31, 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Interest earnings bank deposits (Note 3) | - | 3,246,601 | - | 3,246,601 |
| Securities (Note 4) | - | 268,413 | - | 268,413 |
| Restricted financial investments (Restricted cash) (Note 5) | - | 122,676 | - | 122,676 |
| Derivative financial assets (Note 26.b) | 334,626 | 1,319,680 | | 1,654,306 |
| Loans and financing (Note 17) | - | (10,438,047) | - | (10,438,047) |
| Derivative financial liabilities (Note 26.b) | (256,027) | (486,372) | - | (742,399) |
| Total as of March 31, 2019 | 78,599 | (5,967,049) | - | (5,888,450) |
| Total as of March 31, 2018 | 86,252 | (326,096) | (2,037) | (241,881) |

## (j) Sensitivity analysis

We present below the sensitivity analysis of the fair value of financial instruments according to the types of risk considered relevant by the Group.

### Assumptions for the sensitivity analysis

The Group has adopted three scenarios for the sensitivity analysis, one probable and two (possible and remote) that may show the sundry effects in the fair value of the Group's financial instruments. The probable scenario was set according to the futures market curves of sugar, heating oil, ethanol and the US dollar as of March 31, 2019, and the amounts presented correspond to the fair value of derivatives on those dates. Possible and remote adverse scenarios were set considering impacts of 25% and 50% on sugar and US dollar price curves, which were calculated as a basis for the probable scenario.

## Sensitivity table

## (1) Change in fair value of derivative financial instruments

| | | | Impacts on income (loss) (*) | | | |
|---|---|---|---|---|---|---|
| | **Risk factor** | **Probable scenario** | **Possible scenario +25%** | **Balance of fair value** | **Remote scenario +50%** | **Balance of the fair value** |
| Price risk | | | | | | |
| Commodity derivatives | | | | | | |
| Futures and options contracts: | | | | | | |
| Purchase and sale commitments | Sugar price increase | 81,293 | (409,318) | (328,025) | (818,637) | (737,344) |
| Purchase and sale commitments | Increase in ethanol price | 29,114 | (1,976) | 27,138 | (3,952) | 25,162 |
| Purchase and sale commitments | Electric power price increase | 4,253 | (658,840) | (654,587) | (1,317,680) | (1,313,427) |
| Purchase and sale commitments | Increase in diesel and gasoline prices | (33,689) | (32,357) | (66,046) | (64,714) | (98,403) |
| | | 80,971 | (1,102,491) | (1,021,520) | (2,204,983) | (2,124,012) |
| Exchange rate risk | | | | | | |
| Foreign exchange rate derivatives | | | | | | |
| Futures contracts: | | | | | | |
| Purchase and sale commitments | Decrease in foreign exchange rate | 595 | 70,008 | 70,603 | 140,015 | 140,610 |
| Fixed-term and Lock Contracts: | | | | | | |
| Purchase and sale commitments | Decrease in foreign exchange rate. | 6,980 | (1,481,978) | (1,474,998) | (2,963,954) | (2,956,974) |
| Purchase and sale commitments | Decrease in foreign exchange rate. | 9,017 | (30,214) | (21,197) | (60,429) | (51,412) |
| FX swaps: | | | | | | |
| Purchase and sale commitments | Decrease in foreign exchange rate | 673,781 | (1,738,726) | (1,064,945) | (3,477,452) | (2,803,671) |
| | | 690,373 | (3,180,910) | (2,490,537) | (6,361,820) | (5,671,447) |
| Interest rate risk | | | | | | |
| Interest derivatives | | | | | | |
| Swap contracts, lock, DI, and NDF | Decrease in interest rate | 140,563 | (82,259) | 58,304 | (164,518) | (23,955) |
| | | 140,563 | (82,259) | 58,304 | (164,518) | (23,955) |
| Total | | 911,907 | (4,365,660) | (3,453,753) | (8,731,321) | (7,819,414) |

(*) Result projected to occur within 12 months from March 31, 2019.

## (2) Net foreign exchange exposure

The probable scenario considers the position as of March 31, 2019. The effects of the possible and remote scenarios that would be recognized in the consolidated combined statement of profit or loss as revenue or expenses on exchange-rate change are as follows:

| | | Effect of exchange-rate changes | | | |
|---|---|---|---|---|---|
| **Net foreign exchange exposure as of March 31, 2019** | | **Possible scenario +25%** | **Remote scenario +50%** | **Possible scenario -25%** | **Remote scenario -50%** |
| Cash and cash equivalents (Note 3) | 2,149,043 | 537,261 | 1,074,522 | (537,261) | (1,074,522) |
| Restricted cash (Note 5) | 153,039 | 38,260 | 76,520 | (38,260) | (76,520) |
| Accounts receivable from abroad (Note 6) | 642,922 | 160,731 | 321,461 | (160,731) | (321,461) |
| Related parties (Note 11.a) | (1,980,898) | (495,225) | (990,450) | 495,225 | 990,450 |
| Suppliers (Note 16) | (4,155,633) | (1,038,908) | (2,077,817) | 1,038,908 | 2,077,817 |
| Loans and financing (Note 17) | (10,247,475) | (2,561,869) | (5,123,738) | 2,561,869 | 5,123,738 |
| Impact on income (loss) for the year | | (3,359,750) | (6,719,502) | 3,359,750 | 6,719,502 |

## (3) Interest rate sensibility

As of March 31, 2019, the probable scenario considers the annual weighted average rate of floating interests of loans and financing of 5.42% and for financial investments and as restricted cash and basically, CDI accumulated in the last 12 months of 6.34%. In both cases, simulations were run considering the increase and reduction by 25% and 50%. The combined consolidated results of this sensitivity are as follows:

| | | March 31, 2019 | | | |
|---|---|---|---|---|---|
| | | Interest rate sensibility | | | |
| | **Probable scenario** | **Possible scenario +25%** | **Remote scenario +50%** | **Possible scenario -25%** | **Remote scenario -50%** |
| Interest earnings bank deposits | 201,396 | 50,349 | 100,698 | (50,349) | (100,698) |
| Securities | 16,509 | 4,127 | 8,255 | (4,127) | (8,255) |
| Interest earning bank deposits (restricted cash) | 7,829 | 1,957 | 3,915 | (1,957) | (3,915) |
| Loans and financing | (722,721) | (180,680) | (361,361) | 180,680 | 361,361 |
| Additional impact in income (loss) for the year | (496,987) | (124,247) | (248,493) | 124,247 | 248,493 |

## (k) Capital management

The Group's goal, when managing its capital structure, is to ensure that it will continue as a going concern and be able to finance investment opportunities, by keeping a healthy credit profile and offering an appropriate return to its shareholders.

Group has relationships with large local and international rating agencies as show below:

| Branch | Scale | *Rating* | *Outlook* | Date |
|---|---|---|---|---|
| *Fitch* | National | AAA (bra) | Stable | 04/25/2018 |
| | Global | BBB | Stable | 04/25/2018 |
| *Moody's* | National | Aaa.Br | Stable | 04/10/2018 |
| | Global | Ba1 | Stable | 04/10/2018 |
| *Standard & Poor's* | National | brAAA | Stable | 04/29/2019 |
| | Global | BBB- | Stable | 04/29/2019 |

The financial leverage ratios on March 31, 2019, and 2018 were calculated as follows:

| | 2019 | 2018 |
|---|---|---|
| Third party capital | | |
| Loans and financing (Note 17) | 17,264,301 | 13,518,349 |
| (-) Cash and cash equivalents (Note 3) | (5,740,037) | (3,663,168) |
| (-) Securities (Note 4) | (268,413) | (1,078,945) |
| (-) Financial investments linked to financing (note 5) | (57,846) | (67,767) |
| (-) National Treasury Certificates - CTN (Note 10) | (521,943) | (827,042) |
| (-) Foreign exchange and interest rate derivatives (Note 26.b) | (814,344) | (74,174) |
| | 9,861,718 | 7,807,253 |
| Shareholders` equity | | |
| Equity | | |
| Attributable to Group’s shareholders | 11,115,876 | 11,607,394 |
| Interest of non-controlling shareholders | 276,128 | 225,730 |
| | 11,392,004 | 11,833,124 |
| Total shareholders` equity and third-parties | 21,253,722 | 19,640,377 |
| Leverage ratio | 46% | 40% |

## 27. Retirement supplementation plan and other employee benefits

### (a) Pension fund

#### Defined contribution

The Group sponsors the Plan Benefícios Raiz, administered by Raízprev – Private Pension Plan, which is a closed non-profit complementary Pension Plan Entity.

The Entity equipped with administrative, financial and equity autonomy, having as object the administration and implementation of benefit plans of security nature, as defined in the Regulations of Benefit Plans.

The Group has no legal or constructive obligations for further additional contributions if the plan has sufficient assets to pay all benefits or possible occurrence of a deficit.

During the year ended March 31, 2019, the contribution recognized as expense amounted to R$ 19,935 (R$ 18,155 in 2018 and R$ 18,132 in 2017).

### Pension and health plan of Raízen Argentina

Raízen Argentina granted pension plans to non-union employees with defined and non-financed benefit. This plan is active, but it is closed to new participants since the end of 2014, currently covering 32 employees. The health coverage of retired employees is an inherited and frozen benefit, whose cost is equally apportioned between the company and the former employees.

### (b) Profit sharing

The Group recognizes a liability and a profit sharing expense based on a methodology that considers pre-defined targets to employees. The Group recognizes a provision when it is contractually compelled or when there is a past practice that created non-formalized obligation.

## 28. Insurance

The Group has an insurance program and risk management that provides consistent coverage and protection for corporate assets and operations.

The coverage is based on careful study of risks and losses and is realized by local insurance consultants, with the type of insurance contracted considered by Management sufficient to cover any losses that might occur, given the nature of the Group's activities, and are detailed as follows:

| Type of insurance | Coverage | Amount of coverage |
|---|---|---|
| Operational risks | Fire, lightning, explosion and others | 1,844,996 |
| General civil liability (1) | Third party complaints | 417,017 |

(1) Includes the amounts of US$ 10,000 thousand and CHF 15,000 thousand, equivalents to R$ 38,967 and R$ 58,050, related to coverage hired exclusively to Raízen Argentina and Raízen Trading, respectively.

## 29. Corporate restructuring and business combination

### (1) Transactions occurred during the year ended March 31, 2019

### (i) Acquisition of Santa Cândida and Paraíso Plants – sugar and ethanol producing units of Tonon Group

On June 13, 2017, RESA submitted a binding proposal in the total amount of R$ 823.000 million with certain precedent conditions for the acquisition of the Santa Cândida and Paraíso plants, within the scope of the Court-Ordered Reorganization of the companies Tonon Bioenergia S.A., Tonon Holding S.A. and Tonon Luxembourg S.A., all under Court-Ordered Reorganization.

As of June 16, 2017, the proposal presented by RESA for the acquisition of aforementioned plants, in the form of an Isolated Productive Unit – UPI ("UPI"), was considered the winner by the creditors of the recovered companies in a meeting of creditors held on the aforementioned date.

On September 7, 2017, RESA, in the capacity of buyer, and Tonon Bioenergia S.A., in the capacity of seller, entered into a contract for the purchase and sale of total shares of NK 006 Empreendimentos e Participações S.A. ("NK 006"), entity established for the specific purpose of receiving net assets linked to Santa Cândida and Paraíso plants, in the form of UPI ("UPI Tonon").

On August 7, 2017, the transaction was approved by Administrative Council for Economic Defense - CADE and the term has elapsed to the appeal or call-back as of October 24, 2017.

On September 8, 2017, RESA subscribed capital increase of UPI Tonon with cash payment, and became the single shareholder of NK 006 and consolidated acquired net assets in the ambit of said business combination.

The two plants belonging to UPI Tonon are located in São Paulo State in the municipalities of Bocaina and Brotas, region where Raízen already operates and, together, they have annual crushing capacity of approximately 5.5 million tons of sugarcane.

Pursuant to IFRS 3 - Business Combination, the preliminary fair value of acquired assets and assumed liabilities at the date of acquisition of UPI Tonon, as well as the measurement of the amount of goodwill by expected future profitability recognized by RESA on the acquisition date, determined up to March 31, 2018 is as follows:

| **Captions** | **Total** |
|---|---|
| Biological asset (Note 9) | 12,736 |
| Other receivables | 1 |
| Property, plant and equipment (Note 14) | 451,147 |
| Payroll and related charges payable | (10,382) |
| Financial lease | (27,691) |
| Fair value of net assets | 425,811 |
| (-) Proposal accepted in the ambit of Court-Ordered | 823,000 |
| (-) Adjustments in acquisition price | 12,948 |
| (-) Acquisition cost (1) | 835,948 |
| Goodwill (Note 15) | 410,137 |

(1) Of this amount, R$25,845 were settled up to March 31, 2019 (R$ 792,494 until they were settled up to March 31, 2018), and R$ 20,639 are outstanding in caption "Other obligations" – current and non-current, which include R$ 26,000 of principal, (R$787) of interest of operation and (R$ 4,574) of adjustment to present value. The balances should be settled by 2020.

The valuation techniques used to measure the fair value of the significant assets acquired were as follows:

| Acquired assets | Valuation technique |
|---|---|
| **Property, plant and equipment** | Market comparison and cost technique: the evaluation model considers the market prices quoted for similar items, when available, and depreciated replacement costs, when applicable. The depreciated replacement cost reflects adjustments of physical deterioration, as well as the functional and economic obsolescence. In addition, the balance of fixed assets is comprised of the balance of sugarcane planting, which was adjusted at fair value considering the assumptions and calculations of RESA. The fair value of sugarcane planting was calculated under the Income Approach method, based on the concept that the fair value of sugarcane planting is related to the present value of net cash flows generated by the asset in the future. The fair value of fixed asset items on the acquisition date amounted to approximately R$ 451,147, which represented an adjustment of around R$ 71,025. |

Other assets acquired and liabilities assumed were analyzed and the respective accounting balances reflect the respective fair values.

During the year ended March 31, 2019, RESA concluded the allocation of the price of the assets acquired and liabilities assumed by the RESA in the process of acquiring the Santa Candida and Paraíso plants.
The main differences between the preliminary goodwill and the final goodwill are shown below:

| **Movement** | |
|---|---|
| Fair value of net assets | 425,811 |
| Acquisition cost | 835,948 |
| **Preliminary goodwill** | **410,137** |
| (-) Fair value of biological assets (note 9) | (2,288) |
| (+) Property, plant and equipment (Note 14) | 9,507 |
| (+) Other liabilities | 6,421 |
| (+) Financial lease | 7,495 |
| (=) Goodwill adjustments (Note 15) | **21,135** |
| **Final goodwill** | **431,272** |

**Merger of UPI Tonon**

At the Special Shareholders' Meeting of September 22, 2017, the merger of UPI Tonon by RESA was resolved and approved by means of appraisal report issued by an independent expert. Thus, the investment by RESA in this company was replaced by equity in the amount of R$ 372,161, leaving the capital unchanged, with the consequent extinction of UPI Tonon.

**(ii) RWXE Participações S.A.**

On April 28, 2018, RESA, through its subsidiary Bio Barra, signed a shareholders agreement with the company WX Energy Participações Ltda. ("WX Participações"), which corresponded to the commitment to invest the approximate amount of R$ 94.626 million in RWXE, parent of the company WX Energy.

On July 5, 2018, the shareholders' agreement between Bio Barra and WX Participações was signed, formalizing the previous Investment commitment. With this operation, RESA acquired a 70% stake in the share capital of RWXE, for the amount of R$ 94,626, of which R$ 44,626 was effectively settled on this date by the subsidiary Bio Barra. The residual amount will be paid up to July 05, 2021.

RWXE is a company primarily engaged in participating, as partner or shareholder, in the share capital of other companies or ventures, constituted as a result of this business combination.

WX operates in the whole sale market of electric power, authorized by National Agency of Electrical Energy (ANEEL) and agent of Electric Energy Trading Chamber (CCEE, in Portuguese).

Through these investments, RESA aims to expand its presence in electric energy trading and increase its product portfolio.

Pursuant to IFRS 3 - Business Combination, the fair value of acquired assets and assumed liabilities at the date of acquisition of RWXE, is as follows: The difference between the amount paid and the net assets at fair value resulted in the recognition of a goodwill for expectation of future returns.

| **Captions** | **Total** |
|---|---|
| Cash and cash equivalents | 63,912 |
| Trade accounts receivable | 187,442 |
| Related parties | 50,000 |
| Advances to suppliers | 30 |
| Recoverable taxes and contributions | 73 |
| Property, plant and equipment (Note 14) | 158 |
| Intangible assets (Note 15) | 23,140 |
| Suppliers | (200,672) |
| Derivative financial instruments | (2) |
| Taxes payable | (893) |
| Payroll and related charges payable | (51) |
| Net assets | 123,137 |
| Raízen Interest (70%) (*) | 86,196 |
| (-) Cost of acquisition | 94,626 |
| **Preliminary goodwill (Note 15)** | **8,430** |

(*) The remaining 30% refers to the non-controlling interest, which was measured at fair value using their proportionate share of the acquiree´s identifiable net assets at the acquisition date.

The net operating revenue and net income from the date of acquisition to March 31, 2019 of RWXE, was R$ 2,133,285 and R$ 10,420, respectively

The valuation techniques used to measure the fair value of the significant assets acquired were as follows:

| **Acquired assets** | **Valuation technique** |
|---|---|
| **Intangibles** | Contractual relationship with clients: *Multi-period earning excess method* ("MEEM") technique. This model estimate the fair value based on the future discounted cash flows of the business unit. The cash flows comprise the projected revenues, costs and expenses of the clients' portfolio for a 10 years period. The fair value of the contractual relationship with clients amounted for R$ 23,137. |

The total amount of goodwill may be deductible for tax purposes depending on the future assessment of the Company.

The receivables acquired at the acquisition date are measured and recognized at fair value and comprises the gross amount of R$ 187,442, which there is no expectation to be uncollectable at the acquisition date. The other assets acquired and liabilities assumed were analyzed and the respective accounting balances reflect the respective fair values.

The final allocation of the purchase price of RWXE depends on evaluations and other studies not yet completed and also on the final issuance of the appraisal report to be issued by an independent specialized company. In this way, Raízen Group made the preliminary allocation of the price paid considering the best estimate for the capital gains. However, they are subject to further adjustment as information becomes available and analyzes are performed and completed. Raízen Group does not expect significant impacts on the recognition of the purchase price allocation, whose final allocation is expected to be completed by July 2019.

### (iii) Ryballa Participações Ltda.

On August 13, after RESA's announcement with São Martinho S.A. ("São Martinho"), business provide for the acquisition of the biological assets of Usina Furlan, relating to the Santa Bárbara D'Oeste plant (state of SP), as well as the leasing of land owned by Usina Furlan and Agro Pecuária Furlan S.A. ("Transaction") and the operation was effectively approved by the CADE (Administrative Council for Economic Defense).

On October 8, 2018, by means of the signature of the Term for the completion of the Transaction, RESA and São Martinho took on the agricultural and supply agreements which total approximately 1 million tons of sugar and as a counterparty, the obligation to independently make the payment of the respective proportion of 2/3 and 1/3 the approximate amount of R$ 117,000.

The conclusion of this Transaction is aligned with the strategy of increasing the availability of cane for processing at the mills of Raízen. As of March 31, 2019, RESA already paid R$ 71,343.

Pursuant to IFRS 3 - Business Combination, the preliminary fair value of acquired assets and assumed liabilities at the date of acquisition of Ryballa is as follows: The difference between the amount paid and the net assets at fair value resulted in the recognition of a preliminary goodwill for expectation of future returns.

| **Captions** | **Total** |
|---|---|
| Cash and cash equivalents | 1 |
| Advances to suppliers | 917 |
| Biological asset (Note 9) | 7,734 |
| Property, plant and equipment (Note 14) | 20,948 |
| Suppliers | (917) |
| Related parties | (2,067) |
| Net assets | 26,616 |
| (-) Cost of acquisition | 32,016 |
| **Preliminary goodwill (Note 15)** | **5,400** |

On January 2, 2019, Ryballa was merged into RESA, and the net assets on the date of merger was R$ 27,832.

The valuation techniques used to measure the fair value of the significant assets acquired were as follows:

| Acquired assets | Valuation technique |
|---|---|
| **Biological assets** | Sugarcane crops: The fair value was measured through the discounted cash flow method, excluding the lands which the crops were planted.<br>Sugarcane: The fair value was measured through the discounted cash flow method in accordance with the projected productivity cycle for each harvest, taking into account the useful life of the assets, the total recoverable sugar prices, estimated yields and costs production, harvesting, loading and transport for each hectare planted. |

The total amount of goodwill may be deductible for tax purposes depending on the future assessment of the Company.

On January 02, 2019, Ryballa was merged into RESA, and the net assets on the date of merger was R$ 27,832.

The final allocation of the purchase price of Ryballa depends on evaluations and other studies not yet completed and also on the final issuance of the appraisal report to be issued by an independent specialized company. In this way, Raízen Group made the preliminary allocation of the price paid considering the best estimate for the capital gains. However, they are subject to further adjustment as information becomes available and analyzes are performed and completed. Raízen Group does not expect significant impacts on the recognition of the purchase price allocation, whose final allocation is expected to be completed by October 2019.

**(iv) Raízen Argentina and subsidiaries - Acquisition of DS business of Shell Argentina**

As mentioned in Note 1.1, on October 1, 2018, RCSA completed the acquisition of Shell's downstream ("DS") business in Argentina, through the acquisition of 100% of the shares issued by Shell Compañía Argentina de Petróleo S.A. and by Energina Compañía Argentina de Petróleo S.A., all shares previously held by the Shell Group and starting to operate in that country as Raízen Argentina.

Shell's DS operation in Argentina has a network of around 665 gas stations, oil refinery with a privileged location in Buenos Aires, a lubricant plant, three land-based terminals, two aviation fueling terminals, and five LPG bottling plants.

The aforementioned acquisition represents an important growth opportunity for RCSA, expanding and replicating its successful model implemented in Brazil, obtaining logistics, market and financial synergies. The consolidation of this operation by RCSA took into consideration the long-term perspective of a structured market, quality of the assets, expertise of the local team, and strength of the Shell brand in Argentina.

The total amount of the transaction, provided for in the purchase and sale agreement, was US$ 988,081 thousand, totaling R$ 3,917,438, of which was paid R$ 1,829,161, equivalent to US$ 470,204 thousand. The remaining amounts of R$ 1,637,303 and R$ 450,974, equivalent to US$ 408,877 thousand and ARS 4,496,250 thousand, respectively, should be paid by December 2019 (note 11.a.5).

Pursuant to IFRS 3 - Business Combination, the preliminary fair value of acquired assets and assumed liabilities at the date of acquisition of Raízen Argentina, is as follows: The difference between the amount paid and the net assets at fair value resulted in a preliminary goodwill.

| Captions | Total |
|---|---|
| Cash and cash equivalents | 252,158 |
| Accounts receivable | 319,755 |
| Inventories | 1,529,640 |
| Recoverable income and social contribution taxes | 262,381 |
| Recoverable taxes and contributions | 530,705 |
| Property, plant and equipment (Note 14) | 3,616,311 |
| Intangibles | 272,109 |
| Loans and financing (Note 17) | (812,294) |
| Suppliers | (1,029,523) |
| Payroll and related charges payable | (33,873) |
| Taxes payable | (65,536) |
| Deferred taxes (Note 18) | (967,418) |
| Provision for legal disputes (Note 19) | (26,293) |
| Other assets and liabilities, net | (243,058) |
| Net assets | 3,605,064 |
| Acquisition cost | 3,917,438 |
| Present value adjustment for the installments to be paid | (109,420) |
| **Preliminary goodwill** | **202,954** |

The net operating revenue and net income for the six-month period ended March 31, 2019 of Raízen Argentina, considered from the date of acquisition, was R$ 6,372,059 and R$ 102,495, respectively. The disclosure for the current reporting period, as if the acquisition date were the beginning of the annual reporting is impracticable, given the segregation limitation of the DS business acquired prior to the said carve-out process which resulted in the determination of the net assets of Raízen Argentina.

The valuation techniques used to measure the fair value of the significant assets acquired were as follows:

| Assets acquired | Valuation technique |
|---|---|
| **Property, plant and equipment (**)** | Market comparison and cost technique: the evaluation model considers the market prices quoted for similar items, when available, and depreciated replacement costs, when applicable. The depreciated replacement cost reflects adjustments of physical deterioration, as well as the functional and economic obsolescence. The fair value of fixed asset items on the acquisition date amounted to approximately R$ 3,616,311, which represented an adjustment of around R$ 366,647 to be depreciated during the useful life of the property, plant and equipment, which is approximately 13 years. |
| **Intangibles (*) / (**)** | Contractual relationship with clients: Multi-period earning excess method ("MEEM") technique. This model estimate the fair value based on the future discounted cash flows of the business unit. The cash flows comprise the projected revenues, costs and expenses of the clients' portfolio for 180 months-period. The fair value of the contractual relationship with clients amounted for R$ 232,532.<br><br>Latam-pass contract: Multi-period earning excess method ("MEEM") technique. This model estimate the fair value based on the future discounted cash flows of the business unit. The cash flows comprise the projected revenues, costs and expenses of the clients' portfolio for 87 months-period. The fair value of the contractual relationship with clients amounted for R$ 36,007 |

(*) Intangible assets that were not recognized in the accounting books of the acquired company
(**) As mentioned in Note 10.a, over the surplus value a deferred tax liabilities were recognized in the amount of R$ 216,279.

The trades receivables of Raízen Argentina, at the acquisition date, comprises gross contractual amounts due of R$ 324,819, of which R$ 5,064 was expected to be uncollectable at the acquisition date. Other assets acquired and liabilities assumed were analyzed and the respective accounting balances reflect the respective fair values.

The total amount of goodwill may be deductible for tax purposes depending on the future assessment of the Raízen Group.

The final allocation of the purchase price of Raízen Argentina depends on evaluations and other studies not yet completed and also on the final issuance of the appraisal report to be issued by an independent specialized company. In this way, RCSA made the preliminary allocation of the price paid considering the best estimate for the capital gains. However, they are subject to further adjustment as information becomes available and analyzes are performed and completed. RCSA does not expect significant impacts on the recognition of the purchase price allocation, whose final allocation is expected to be completed by September 2019.

## 30. Cash flow supplementary information

### (a) Reconciliation of equity movement with cash flows from financing activities (FCF)

| (Assets) / Liabilities | Financial investments linked to financing (note 5) | Other receivables | Loans and financing (Note 16) | Related parties (1) | Dividends and interest on shareholders` equity payable | Total |
|---|---|---|---|---|---|---|
| Balance at March 31, 2018 | (67,767) | (528,422) | 12,691,307 | 301,982 | 23,418 | 12,420,518 |
| Transactions with impact in FCF | | | | | | |
| Funding, net of expenditures | - | - | 6,316,489 | - | - | 6,316,489 |
| Amortization of principal | - | - | (4,181,945) | - | - | (4,181,945) |
| Interest paid | - | - | (752,186) | - | - | (752,186) |
| Payment of dividends and interest on shareholders` equity, including remuneration of preferred shares (Note 21.c) | - | - | - | - | (2,274,446) | (2,274,446) |
| Investments | 13,149 | - | - | - | - | 13,149 |
| Other | - | - | - | (2,015) | - | (2,015) |
| | 13,149 | - | 1,382,358 | (2,015) | (2,274,446) | (880,954) |
| Other movements that do not affect the FCF | | | | | | |
| Net interest, inflation adjustments, and exchange-rate changes | (3,228) | - | 1,601,396 | - | - | 1,598,168 |
| Change financial instruments fair value (Notes 17 and 25) | - | - | 213,303 | - | - | 213,303 |
| Allocation of dividends and interest on own capital (Note 21.c) | - | - | - | (5,666) | 2,288,581 | 2,282,915 |
| Business combinations | - | (127,752) | 812,294 | - | - | 684,542 |
| Effect of foreign currency translation | - | - | - | - | - | - |
| Other | - | (59,048) | 41,700 | 6,258 | - | (11,090) |
| | (3,228) | (186,800) | 2,668,693 | 592 | 2,288,581 | 4,767,838 |
| Balance at March 31, 2019 | (57,846) | (715,222) | 16,742,358 | 300,559 | 37,553 | 16,307,402 |

(1) Comprised of financial transactions and preferred shares (Note 11.a).

## (b) Transactions not involving cash

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Investment transactions not involving cash | | | |
| Installment payable due to purchase of Raízen Argentina (Notes 11a.5) | (1,959,945) | | |
| Capital to be paid-up and AFAC | - | - | (75,738) |
| Depreciation and amortization of agricultural assets capitalized as property, plant and equipment | (81,957) | (64,789) | (45,291) |
| Interest capitalized in fixed assets (Notes 13 and 24) | (30,825) | (36,150) | (26,904) |
| Depreciation of agricultural assets capitalized as biological assets | (23,288) | (23,296) | (14,925) |
| Exclusive rights to supply fuel payable, net | - | (9,582) | 36,106 |
| Others business combination to be paid | | (43,454) | - |
| Credits receivable for TEAS sale | - | 6,430 | - |
| Other | (122,302) | 10,384 | 13,178 |
| | (2,218,317) | (160,457) | (113,574) |

## 31. Subsequent events

On April 29, 2019, RCSA and its subsidiary RAHSAU made the full withdrawal of the remaining amount of US$ 300,000 from the Committed Back-up Credit Facility that was held with the international banking syndicate. Such debt includes Libor quarterly annual interest of 1.15% with payment of 50% in July 2024 and 50% in April 2025. Interest on this debt will be paid quarterly.

* * *

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